

JPRS-EER-90-085
15 JUNE 1990



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JPRS Report

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U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
SPRINGFIELD, VA. 22161

DISTRIBUTION STATEMENT A

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East Europe

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POLAND

RSW Demise, Distribution Woes, Recent Media Developments

90EP0502A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 13, 1 Apr 90 pp 1, 10

[Article by Leszek Bedkowski, Andrzej W. Malachowski, Andrzej Nierychlo, and Halina Zielinska: "Hammer to the Structure"]

[Text] "A funeral without a corpse is more aesthetic," replied Andrzej Lapicki at the joint session of the Culture Commission and the Legislative Commission, which are debating the bill on the liquidation of the RSW "Prasa-Ksiazka-Ruch" ["Prasa-Ksiazka-Ruch" Worker's Cooperative Publishing House]. That reply was directed to the deputy who had pointed out that the representative of the concern was absent.

The whole spectacle took place smoothly and quickly, finishing the collapse, which up until the last moment some people did not want to observe. After all, some publishing houses that were allied with RSW not long ago are still shaking with fever.

In spite of the voices of pessimists, new cultivation began to arise even without a fallow period. A real press market—though in the shadow of the monopolist—had already begun to sprout.

The Old Bear Slept Heavily

The "Prasa-Ksiazka-Ruch" Workers' Cooperative Publishing House did not manage to escape from under the press. It is another matter whether such an escape was at all possible. The strategic error of the RSW management—or rather its political patrons who today have the word "former" in front of their names—depended on acceptance of the premise that in the country's new situation, symbolized by the date 4 June, it would be possible to preserve the old structure of ownership and control of the press. Even the painful lesson that this same camp had received in the case of the conflict over radio and television came to nothing: not wanting to give back anything, everything was lost.

They came to their senses too late, and the plan presented to "slim down" the RSW diverged strikingly from the propositions presented by the government. This led to a clash on Sunday 18 March. The next day the clash came to fruition in the governmental bill to liquidate the RSW. Furthermore, a deputies' bill on the same issue—which was more radical—had already been in existence for several days, having originated in SD [Democratic Party] and OKP [Citizens Parliamentary Club] circles. The two bills were merged into one during a session of the appropriate Sejm commissions. It was acknowledged as the first reading and in that way the Sejm was already able to pass the bill on Thursday. Thus, an extraordinary legislative procedure had taken place. It met with the

harsh, but—as the final voting showed—not very significant opposition of a group of deputies on the left.

Although there are still many unknowns as to the exact manner and time of liquidation, it is a foregone conclusion that what is probably the largest publishing-distributing enterprise in the world will cease to exist. I say "probably," because the matter is obscured by the principles according to which the Polish economy has been administered during the last few decades and in addition by the RSW's peculiar type of dependence on the PZPR [Polish United Workers Party]. The cooperative yielded a great profit for the party, and the press was supposed to promote ideology. Because the uniting of these two tasks was often rather difficult in practice, the RSW expanded by acquiring enterprises that would certainly yield a profit. This is symbolized by the evolution of its name from "Prasa" [Press] to "Prasa-Ksiazka-Ruch" [Press-Book-Motion]. A portion of the new units were created by RSW itself, with its own money. It obtained others as a result of so-called political decisions, usually in disagreement with the logic of classical law. Later, structural transformations also took place. All of this makes it very difficult, if not impossible, to separate the wheat from the chaff today. Certainly—if we forget the conspiratorial theory that speaks of a renaissance of Bolshevik methods—the causes for the authorities to resort to stronger measures lie here.

What evoked the sudden spasm, the abrupt hastening of progress will also remain a secret of the bedchamber. It cannot be excluded that this had to do with changes in the group of partners in the RSW. The SdRP [Social Democracy of the Polish Republic] occupied the privileged place of the PZPR, but the foundation "Wschod-Zachod," which GAZETA WYBORCZA has linked with the name of Mieczyslaw Wilczek, also showed up. On the other hand, the Polish Scout Union withdrew from participation in the RSW.

The whole tempest may seem astonishing in that the press market is withering before our eyes. Economic relations today are such that putting thoughts—leftist and rightist alike—to paper, even if using the most ordinary printer's ink, does not pay. The largest papers are still subsisting not too badly. More and more titles go "on the dole." The great RSW had a certain inertia here, and lately this was a positive trait. Part of what they earned through trade or in the printing plants could have been foisted upon the editorial offices. Now they will have to support themselves, which will not be easy, because a sponsor will not be found for everyone. The heraldic hammer that appears on the crest of the RSW will therefore fall upon more than just the administrative structure.

At a meeting of the chief editors from all of Poland, which was held on 20 March at the Main Administration of the RSW, there was in essence just one bit of advice to give: "Take care of the people." A wave of muffled, rancorous laughter went around the room. (A.N.)

A Bald Spot Beneath The Cap

On the day sentence was passed against the RSW in the Sejm, in "Ruch," the RSW's distribution firm, rewards were quietly divided up, in other words, "fourteens" [special bonuses]. These rewards are rightly due in return for inculcating and diffusing knowledge of the system of making money off a business that is folding.

"Ruch" makes money on the distribution of newspapers that are not distributed to the network of kiosks, which it is intensively eliminating. The number of "points of sale" with the trademark of the hammer—not dense in any case—has thinned out, creating, especially in the provinces, press bald spots: from between 32,000 and 33,000 (including book and press clubs), the number has fallen to between 22,000 and 23,000.

The press, even in "Ruch's" operational center in Warsaw, comes out late. The central daily makes it to the provinces the next day, and the weekly (as the name itself indicates), after a week, in other words, when the next issue has already been sent to the printer.

The kiosks, which were in principle supposed to sell newspapers, shamefully stuff them in the corners, dooming them to be shredded. If someone is still not discouraged from reading them, he must first track down "his" title under stacks of tights, athletic clothes, shoes, and calculators. The press is really distributed in fish and vegetable shops as ersatz packing material.

However, "Ruch" cannot answer for past errors. After all, it did not impose the unpleasant and thankless job of distributing the press on itself, a job for which it collects 27.5 percent of the profit margin from the ever-rising prices of newspapers. It did not create the system in which the press is only a pretext for operating a self-sufficient boutique, which has to support the entire structure. However, it is astonishing that after the renewal, its branches are changing their names: from the Enterprise for the Diffusion of the Press and the Book to the Enterprise for the Diffusion of Stockings and Calculators. But by creating a sensible distribution system, they will be able to employ out-of-work journalists.

Producing a newspaper is a much worse business than selling it. It is generally known that one loses millions publishing a newspaper. Billions are made in the firm that is supposed to distribute it. The turnover of a well-situated kiosk amounts to 60 to 70 million a month. But only the PUPiK [State Bureau for Publishing and for Circulation of Publications] in Mokotow [a district of Warsaw] earned more than 780 million zlotys last year.

In the opinion of the director of "Ruch" the units subject to him constitute a semi-independent institution. That opinion, however, is not shared by the units, especially those that independently earned their revenues last year, of which they did not see a single grosz. Dependence—in their opinion—is emphasized by the central controls that appear each time an attempt is made to move onto the road of common sense: namely, toward modification of

transportation and administration; computerization; and the organization of their own protection services for the kiosks, which are notorious for being robbed by the hungry readers of the press. The units thus dream of a true semi-independence, for example, partial dependence on the district authorities. Or, better yet, they dream of employee shareholding.

It is hard to say what the directors of "Ruch" dream of. The head compared his firm to a frog, from which the conclusion may be drawn that he has no appetite for it. The director of developmental affairs is unreachable, which may indicate that he is out on the town looking for other opportunities. (H.Z.)

Peasant Movement Lockout

DZIENNIK LUDOWY has ceased publication. The agony was short, and the efforts at revival (which took on the form of a format change, a size reduction, the printing of advertisements, and finally the reduction in the frequency of publication to three times a week) brought no results. The downfall of DZIENNIK LUDOWY would perhaps not be anything extraordinary on the over-excited press market were it not for the fact that the newspaper fell while it was the organ of a political party. Moreover, this occurred in the period directly preceding elections for local government. In this [passage illegible] is voluntarily deprived of one of the channels of propaganda.

Jan Traczyk, who is responsible for propaganda in the PSL "Odrodzenie" [Polish Peasant Party "Rebirth"], decidedly emphasizes that the leadership of the party was not making an evaluation of the political newspaper. It was a financial matter: the paper yielded a deficit. If money is found for its publication, it will be immediately renewed.

Next, Janusz Tarniewski, a member of the Chief Council of the PSL "Odrodzenie" and until the end of last year chief editor of DZIENNIK LUDOWY, is equally decidedly in a position to state that judgement was passed on the paper in November of last year, on the Saturday directly preceding the ZSL [United Peasant Party] congress. At that time, five members of the supreme leadership of the ZSL decided to bring order to the DZIENNIK LUDOWY staff which had become overbearing and too open to other currents in the peasant movement.

Rumors have been circulating among the staff members for several days that a review process has been prepared after which only the humble will remain, and DZIENNIK LUDOWY will become a court paper recording the thoughts and deeds of the arcopagus of the party.

Jerzy Kania (the well-known reporter from ZIELONY [passage missing] TYGODNIOWY for reporting), the chief of DZIENNIK LUDOWY since 25 January, has admitted that economic matters were the most essential. Lousy financial results became the main cause behind the departure of the previous management of the editorial office. DZIENNIK LUDOWY, in the opinion of

Kania, the editor, hit bottom, because it was weak, and the whole affair immediately became political and was blown out of proportion in the mass media.

For the director of the Wydawnictwo Ludowe [Peasant Publishing House], Stanislaw Mienkowski, the affair has only an economic dimension, even if only due to the fact that the publishing house must finance itself. But last year it yielded a deficit of 312 million zlotys. There were profitable titles, but also ones that lost money, including DZIENNIK LUDOWY, to which it was necessary to pay an extra 301 million zlotys. This year, the paper's deficit has increased. Losses in January amounted to 450 million zlotys, and in February, 100 million. The smaller losses in February were, in Mienkowski's opinion, the result of a reduction in size and frequency of issue and an increase in the number of advertisements printed.

It seems to be a question of money and a question of something completely different. The desperation of the leadership of the PSL "Odrodzenie"—independently of whether it arose against a financial background or a political one—had to be considerable, as soon as it was decided to amputate its official organ, which though perhaps costly is after all necessary in political activity. All the more so as earlier they had stopped issuing [passage illegible] and the readers' acknowledgement (however, it may be in circles too narrow—there were losses of 140 million zlotys last year) of TYGODNIK KULTURALNY. It is true that it returned as the weekly WOKANDA, practically unchanged with regard to personnel and format. But it is being published by a private company and sponsored by the Ministry of Justice, in other words, by Minister Bentkowski, a member of the present governmental team with whose agricultural policy the PSL "Odrodzenie" does not agree. Thus, WOKANDA is not an information channel for the PSL "Odrodzenie."

It also turns out that arithmetic, that is, simple addition or multiplication, may yield different results depending on one's point of view. The editor Tarniewski admits that although the sale of DZIENNIK LUDOWY somehow continued until December, there was a deficit. They had a reform program, which included increased acquisitions of advertisements, but also substantial changes.

"We wanted to escape from party boredom," he says. "To open up to other peasant currents." But that turned out to be indigestible for the chiefs of the PSL "Odrodzenie."

Wlodzimierz Bieron, an editor, as well as those members of the staff with whom I had a chance to speak, believes that the level of the deficit was purposely raised by the publishing house. For example, paper was still being bought at the old prices, but it appears on the newspaper's balance sheet at the new prices. Director Mienkowski got carried away and testified to the Workers' Council that in February DZIENNIK LUDOWY would have profits of 50 million zlotys. Then, Mienkowski

indicated that he did not get carried away, but was merely speaking on the basis of preliminary calculations. Later, the invoices for returns of unsold goods arrived, and the expected profit turned into a deficit. In some regions, returns of DZIENNIK LUDOWY amounted to 100 percent, which is not a moral burden for the staff (since it is a result of the disastrous work of the distributor, in other words, "Ruch"), but for the publishing house it is an economic fact.

The staff thinks that the publisher had just one thing in mind: reducing the size and frequency of issue and filling the paper with advertisements. That is a double-edged sword, because it discourages readers from the newspaper. The advertisements improve the paper's condition. Moreover, the staff members themselves began acquisitions for that reason and indeed did so more efficiently than the publisher. They also agreed to reduce the staff from nearly 100 people to not quite 40. The publisher gave assurances that the people who left would be guaranteed employment. So far nothing has come of these guarantees and in addition the new chief editor announced "a recruitment of journalists." Therefore, the staff also cast a vote of no confidence with regard to him at the meeting of 9 March.

Editor Kania says that he advertised the recruitment because he did not know the staff well. Of course, he wanted to remodel it, and he wanted to get a feeling for how each staff member presented himself. The recruitment was also open to the current employees. But as for the vote of no confidence: he understands that the group was irritated with the general situation, and he was a troublesome person; however, it is a fact that the motion was initiated by a proofreader who had just been punished for a serious error.

Regardless of all this, the staff—at least in the majority—believes that it is paying the bill for believing in freedom of expression, for the existence of "Solidarity" in the editorial office, and for its general refractoriness in relation to the party chiefs. Content of that sort, more or less, was in the resolution of 19 March of this year. They also believe that the plate of dismissals served to the staff in December took place in violation of the regulations of the Labor Code. That is why both trade unions also entered the disagreement with management. However, the political administrator appointed a special commission of the Chief Executive Committee, which is to prepare a plan for reviving DZIENNIK LUDOWY.

The course of dismissals handed to the staff members ends on 31 March of this year. No one knows whether the employer will present some sort of offer.

The last issue of DZIENNIK LUDOWY that appeared bore the date 16-18 March. It is still functioning in the ether. Radio advertisements which announce the sale of Tarpan [a make of truck] to farmers on an installment basis refer to details published in the columns of DZIENNIK LUDOWY. (A.W.M.)

Without Complications

The liquidation of the RSW "Prasa-Ksiazka-Ruch" made no special impression in the social environment of journalists in Poznan. And it seems that is for at least two reasons. Although the RSW was the owner of three of four dailies appearing in Wielkopolska, strictly speaking, it lost control over their politics and personnel a few weeks ago. Beyond that, the Poznan dailies are something of a grand event, practically on a national scale: they do not drag a deficit behind them. For example, the oldest Poznan newspaper, GLOS WIELKOPOLSKI, noted an income of about 600 million zlotys over the first two months of the current year. This result may be subject to change by the payment of dividends as well as energy payments, but there is a profit. Of course, it is another matter where this profit disappeared to as it went into the publishing house's coffers.

According to the chief editor of GLOS WIELKOPOLSKI, Marek Przybylski, the good situation of the Poznan dailies—relatively high circulations (as it seems with the exception of DZISIAJ, the daily published under the slogan "those who voted for Solidarity") as well as small returns of unsold papers—can be explained by the established tradition of reading in Wielkopolska. He believes that the farther east from Poznan one goes, the worse newspapers sell. But the Wielkopolska reader is also demanding: he expects reliable, impartial information presented in a rather relaxed style.

Undoubtedly, the Poznan press market is colored by the daily DZISIAJ published by the Wielkopolanin Corporation. (Currently the publishing house also offers "The emblem of the RP [Polish Republic] in A-3 format. A white eagle with a gold crown on a red background, printed on high-quality coated paper, using off-set technology." The price of the eagle is not given in the ad.) The coloring depends on the fact that DZISIAJ uses a more aggressive language and principally approaches matters related to settling the accounts of the past, which is depicted especially nicely against the background of the staid tone of the rest of the daily press in Poznan. DZISIAJ, commenting on Thursday 22 March on the placement of RSW in a state of liquidation, maintains that "one can repeat until one's out of breath that the majority of goods of the RSW are booty captured through the application of 'Stalinist' law. . . . In this way, and no another, the owners of the PRL [Polish People's Republic] became rich."

This does not mean of course that the remaining newspapers of Poznan did not keep up with perestroika and are still operating under the old personnel arrangements. The change of management took place several weeks ago and ran its course basically without pain. It even turned out that the generally cement-like structure of the RSW was too weak to stop the process of change. The appeal of the Wielkopolska Regional Board, which was published in the middle of February in the columns of Poznan's press, became the slogan for rebuilding. The removal of

people from the previous epoch from the leading positions of particular publications was called for. It was also proposed that the staffs of these same publications chose new leaders. In the course of a week, the old bosses departed (basically without resistance), and the staffs appointed new leaders.

At the same time, the Regional Board appointed a press council. It was composed of all political forces, that is to say, "Solidarity" and "Solidarity" RI ["Rural Solidarity"], SdRP, the PSL "Odrodzenie," the SD, both journalists' associations, the Consultative Committee of Creative and Scientific Associations, and representatives of the voivode and the president. The council meets once a week and solves problems related to the proprietary transformations in the press and also discuss the profile of publications and cadre policy. The council also questioned all the nominated leaders and expressed its opinion to the publisher about the confirmation of these persons in the positions of chief editors. Since there was no opposition (the chairman of the RSW, Slawomir Tabkowski, was still able to submit nominations), the new set of leaders in the Poznan newspapers as well as TV and radio has been active since 1 March of this year. Fundamentally, these are people connected to the current of thought put forward by the SDP [Association of Polish Journalists] circle in its old (1981) and its current edition.

Thus, "brawls" among the various social environments of Poznan, which might have taken the form of resolutions for no-confidence votes or of skewerings on the pens of the chief editors, were avoided.

The disappearance of the RSW from the print landscape is also accepted with the hope that the situation will become more clear, at least the financial situation. Up until now, the publishing houses have been accused of obscuring economic matters and manipulating the concept of profit and deficit. It is foreseen, however, that GAZETA POZNANSKA and EXPRESS POZNANSKI will seek a sponsor, but GLOS WIELKOPOLSKI will belong to the Czytelnik Publishing House, which apparently is creating a holding with Robert Maxwell of Great Britain.

So far in Poznan there are no unemployed journalists, for even those who had to leave, either retired or went on six-month health holidays. (A.W.M.)

A New Spring

The last manager of the "Prasa-Ksiazka-Ruch" Workers Cooperative Publishing House predicts that the downfall of Polish journalism will come with the downfall of the concern. However, for some time, the spring of the independent press has been gushing forth more and more abundantly than that of the concern and its political patrons, who until recently were omnipotent. Through many long years, the guardians of this spring were just the few titles of the Catholic press (with TYGODNIK POWSZECHNY at the fore). Near the end of the 70's, publishing houses began to appear, including newspaper

publishers, in the so-called second circulation—in other words, they were uncensored (for example, ZAPIS).

At this moment, considering the number of publishing initiatives, this is an altogether impressive spring. To be sure, many reasons (starting from zero, poor access to paper which, until recently, was restricted, and financial problems) led to the fact that the combined imprint of this entire press could not compete with the RSW. However, it is not true that after the liquidation of the concern we will find ourselves on a devastated field. Someone still has to cultivate it, offering work to journalists currently frightened by the specter of lifelong unemployment.

This new press may be catalogued in roughly five divisions: the "Solidarity" press, the press of the citizens' committees, the press of the political parties, the religious press, and private initiatives.

The "Solidarity" press cuts the most impressive figure, although no one can manage to quote the number of titles currently appearing under this sign. In Lech Walesa's press office, they explain this by the fact that there is a genuine decentralization of decisionmaking. No one at the center is giving out licenses to publish the union's periodicals. With a certain approximation, one may speak of around 100 titles on the regional and local level. There are many, many more factory publications and all sorts of bulletins. A portion of them are reminiscent of normal newspapers; the rest are still "mimeographed publications."

Among the weeklies, the one that has the largest circulation is TYGODNIK SOLIDARNOSC. At the bottom is written: "Journal of NSZZ Solidarity . . . Impression of the publishing house of TYGODNIK SOLIDARNOSC." At its second start in May 1989 the publication received 100 million zlotys credit at 52 percent, which was repaid before the end of the year. It also did not pay tax on donations from abroad (computers, copiers, fax machines).

The financial condition of the publication is not the best (due to a fall in circulation and to paper and printing costs), but the ambition of the chiefs of TYGODNIK SOLIDARNOSC is self-support, without relying on the donations of the KKW [National Executive Committee of NSZZ "Solidarity"].

GAZETA WYBORCZA's publishing formula is different. It has the symbol of "Solidarity" in vignette, but officially is published by the Agora Company (Zbigniew Bujak, Aleksander Paszynski, and Andrzej Wajda are the shareholders). The company works forcefully: it is multiplying the published titles, creating branches, and continues to support itself. In that regard, it continues to be an unsurpassable model for many other new press and publishing initiatives.

The press of the citizens' movement lies in swaddling clothes. Of the better known initiatives, one may mention TYGODNIK OBYWATELSKI of Bydgoszcz or

A...Z. DZIENNIK OBYWATELSKI of Rzeszow. The situation of the press of the new political parties is similar. To a large extent, these are internal bulletins, distributed only in the party locals. LAD, which has the sub-title "The Catholic Social Weekly," distinguishes itself here—by form and imprint—but it is no secret that in fact it fills the role of official organ of the Labor Party. GAZETA LUDOWA, the paper of the PSL, is also in the kiosks. The KPN [Confederation for an Independent Poland] has already published the third issue of the weekly OPINIA.

The religious press is expanding, especially that connected to the Roman Catholic Church (such as, NOWE ZYCIE from Wroclaw, KROLOWA APOSTOLOW of the Pallottine Brothers, NIEDZIELA from Czeszochowa, GOSC NIEDZIELNY from Katowice, GWIAZDA MORZA from Gdansk, and recently the television-press undertaking, ZIARNO).

Lately, there have been a great number of private initiatives. In other words, companies or publishing cooperatives have been created to publish newspapers that do not directly refer to some political formation or worldview. In this group there are many plainly commercial enterprises (the advertising press, sensational crime publications—ba!—they are half pornographic).

Of the more serious undertakings, one should mention GAZETA GDANSKA, DZISIAJ—GAZETA WIELKOPOLAN, and DZIEN—GAZETA LUBELSKA. In Krakow, the company Arka intends to publish a daily, CZAS. In Warsaw there are advanced intentions to publish a paper, SWIAT. And, for example, in Pila, in the circle of Mr. Stoklosa, TYGODNIK NOWY has begun to be published.

In some cases, these are or are supposed to be activities supported by foreign capital. So far, its participation (outside fragmentary support for the "Solidarity" publications) is insignificant. Rumors are circulating about the continuing talks with many foreign publishers (even press magnates), but many of them have been frightened away by the RSW monopoly.

In the group of new initiatives we will not consider whitewashings, in other words, the astonishing metamorphoses of some RSW titles, which one day inscribed on themselves the vignette "independent publication." One will be able to return to these matters seriously—after the liquidation of the RSW. (L.B.)

Ministry of Internal Affairs Viewed in Light of New Leadership

90EP0522A Warsaw PRZEGLAD TYGODNIOWY
in Polish No 12, 25 Mar 90 p 3

[Article by Andrzej W. Malachowski: "Fears in the Ministry of Fear"]

[Text] The naming of Krzysztof Kozlowski as deputy minister of internal affairs has become a political sensa-

tion. It seemed that the present government would leave this department—at least for some time—under lease to the people with whom it recently spoke at the round-table. The appearance of Krzysztof Kozłowski on the ministry's doorstep at this time announces—so it would seem—the next changes. But certainly the reading of TYGODNIK POWSZECHNY will not become obligatory for functionaries of the MSW [Ministry of Internal Affairs] as a result of the changes.

GAZETA WYBORCZA, introducing the new minister (more detailed data also appears in the "Personal Data" column in the previous issue of PRZEGLĄD TYGODNIOWY), writes of him that he is "a man known for always applying moral reasoning to politics," and at the same time he is "a handsome man of impeccable manners." And he is a gentleman (Premier Mazowiecki: "This is such dirty work that a gentlemen should perform it." This quotation is again from GAZETA WYBORCZA).

In warm words, although seemingly taken from an obituary, the editor Jerzy Turowicz bids farewell to his underling and editorial colleague: "Krzysztof Kozłowski, of course, is leaving our editorial office. We do not hide the fact that this is a great loss for us. . . . a man possessed of great understanding, prudence, and a sense of responsibility, endowed to a large degree with what Anglo-Saxons describe with the term 'moral integrity'." And further along he writes: "Nor is it surprising that the departure of Krzysztof Kozłowski from our editorial office is a loss that cannot be compensated."

Stefan Kisielewski in "Kisiel's ABCs": "A friend [Kisiel's presumably—AWM]. . . . Very decent fellow, fanatic of TYGODNIK POWSZECHNY—I do not know why. He is in love with this paper, he has dedicated his whole life to it. But in my opinion this paper is really not edited. . . ."

At this point the conviction that the new deputy minister will not permit the internal affairs department to be "not edited" should be expressed. This is all the more true, because Premier Tadeusz Mazowiecki appointed Kozłowski to this post—we will quote Jerzy Turowicz again here—"entrusting him (as may be believed) with one of the most difficult tasks: the reorganization of a department which until now served the party and the power it held, but which should serve the state and society. The goal of the reorganization is to bestow social trust upon this institution, which, as is generally known, has enjoyed no trust whatsoever before now."

Young functionaries of the MSW present a similar position in creating informal groups to initiate a new order in the department. They welcome with satisfaction the appointment of a person from outside the old system to a ministerial post, although they believe that this took place rather late. In an open letter to the deputies and senators from the Opole region, the functionaries of the SB [Security Service] write, among other things: "We do not want to remain an enclave of the old compromised order. . . . The organ of state security . . . became an

instrument of political struggle. . . . We realize that the effects of the activities of the SB cast a shadow on every functionary in the opinion of society. In particular the execution of tasks connected to the introduction of martial law exerted a negative influence on society's opinion of the department. . . . We did not make the law, and we should not bear the responsibility for doctrinal errors and an idea which did not prove true in the accepted process of social development. . . . The process of reorganization should take into account the primacy of the interests of the state over the ambitions of specific socio-political groups. . . ."

The remaining young functionaries of the SB are of the same opinion. They are forming the above-mentioned initiative groups, which are already operating in many voivodship centers. After all, the representatives of these groups have been the regular guests of the Sejm commissions, which are working on the bills to reform the department, for more than a month. They are coming—as they say—in order to authenticate themselves in the eyes of the deputies and senators, to draw attention to their own difficult situation and to the situation of the entire department, which is crumbling in the literal sense. Although the precision of legal regulations is a basic condition, still the role played by time is also by no means trivial.

The department of internal affairs finds itself in an unusually acute crisis situation which should—disregarding subjective sympathies and antipathies—cause everyone uneasiness, because the ever-increasing threat from bandits and thieves hurts the average citizen.

There was a time when some people used the pet name "Ministry of Fear" for the internal affairs department. This name fits the current situation to a T. Fears have gotten a foothold in the department: fears regarding the nearest future; collective responsibility; the loss of privileges, such as, retirement benefits (other professional groups have similar ones too); social ostracism; etc. These fears materialize in the form of reports of dismissals from service which have made their way to the office of the cadre chief. The fear exists that with this tempo of departures from the service in many commissariats, regional, and even voivodship offices, nobody will be left to turn out the lights.

The installation of Deputy Minister Kozłowski took place efficiently and without disturbance in the building at 2 Rakowiecka Street. Although some of the functionaries are of the opinion that rotten wood is sifting out from behind the imposing facade of the MSW, the installation still went off just as it should have for the department, whose job it is to maintain order and prevent disturbances.

Minister Czesław Kiszczak informed the leading cadre of the MSW about the nomination on the evening of

Wednesday 7 March and at the same time announced that a meeting with the new deputy minister had been set for 8 o'clock in the morning on Thursday.

During the night, an office was prepared for the nominee. A new telephone console was installed, and the place was cleaned up. In the building on Rakowiecka Street it is said that there have been no problems with the offices following the recent reorganizations. Deputy Minister Kozlowski got the former place of the general who had been chief of the very secret services.

The meeting took place—just as had been announced—the next day. The procedure for exchanging information was established. Currently, Deputy Minister Kozlowski is becoming acquainted with the problems of the department, holding talks with the heads of particular sections.

To begin with, it also turned out that editor Krzysztof Kozlowski's operational folder is not in Warsaw or Krakow. This may seem surprising inasmuch as in the previous epoch Kozlowski the editor was not only deputy chief of TYGODNIK POWSZECHNY, which probably gave sufficient cause to gather as much information about him as possible, but he had already been connected to Solidarity in 1980, which is an additional reason. However, there is no folder and no one knows whether this is just a gesture of courtesy toward the new deputy minister, or whether—God forbid—it is a serious oversight on the part of the department's functionaries who were operating in the ministry's previous edition.

However, it follows from the cheerful tone of the deputy minister's statement on this topic to GAZETA WYBORCZA that he felt no rancor toward the department for not having such a folder.

However, he did admit in passing that no one will envy him this post. And those were prophetic words, because immediately after his nomination the next two surprises were prepared for him. In Slupsk, policemen beat to death a man suspected of some crime, and in a hotel in Poznan secret equipment connected to the telephones was discovered.

Indeed, immediately afterward, the press secretary of the Ministry of Internal Affairs, Lieutenant Colonel Wojciech Garstka, explained on the TV news that this was a completely innocent type of telephone terminal. However some functionaries of the SB privately expressed the view that showing such equipment on television is compromising for the department—not with regard to their use, but rather to the archaic technology. The civilized world has made significant progress in this area.

A few announcements also appeared in the press, stating that similar equipment is found in other hotels and that they were in these hotels rooms permanently occupied by functionaries of the SB. The truth is that since last year certain activities of the special services require authorization from the very top level of the departmental administration. However, it may be that the road of

perestroika leading from 2 Rakowiecka Street is not a straight one when it encounters difficult terrain.

Such incidents do not improve the image of the department in the eyes of society. They also hurt the department itself, from which more and more people are running away. This in turn hurts society—because everything is a sequence of causes and effects.

During the session of the Sejm's Legislative, Administrative, and Internal Affairs Commissions on Thursday 15 March, Deputy Minister General Pudysz informed the deputies that the dwindling efficiency of the department is also resulting in a growth in criminal offenses. Above all, the number of homicides, robberies, rapes, break-ins, and thefts is growing. The organization of criminals is greater and greater and the increasing brutality of their activities meets the eye. Detection of all crimes, for example in Warsaw, fell by 20 percent and amounts to 24.8 percent. This puts the capital in last place in the country, and first in regard to the threat of criminality. Employees of all departmental sections are leaving, which may be the cause—in Gen. Pudysz's opinion—of the difficulties in preparing lists of candidates for local elections.

In this way—as should be noted—Gen. Pudysz wanted to inform the deputies that the end of employee turnover in the department is an extraordinarily urgent matter.

It appears that many deputies share the view that in the interest of society the reform of the department should be accelerated and that in any case the period of uncertainty about the future should be ended. At the above-mentioned session of the Sejm commissions, Deputy Rokita, after repeated motions to lengthen the legislative procedure, said directly that it should be declared outright whether the intention of the legislators is the quick resolution of this problem or its prolongation through time. Deputy Rokita is for the acceleration of work.

The commissions' session on Thursday was supposed to be concerned with the successive articles of the bill regarding the minister of internal affairs. The session was supposed to last from 4 o'clock pm until at least 10 pm in order to sufficiently advance the work so that it could be concluded at the next day's session. The session finished in about an hour and fifteen minutes. First, a formal motion was brought to change the order in which the bills were to be considered: to begin with the bills concerning the police and the Office of State Protection and to leave the bill concerning the minister of internal affairs for the end. Later, controversies arose concerning the bill on labor relations with the police service and the functionaries of the UOP [Office of State Protection]. The commissions' session on Friday had a still faster tempo and also yielded no concrete results.

In its original design, the bill on labor relations was not supposed to be worked out from scratch. The law from 1985 concerning the SB and the police was presented solely to be amended. The problem in this is that it concerns everything, including, social services and,

above all, retirement benefits (in the case of leaving after 15 years of service, retirement pay is calculated as 40 percent of base salary). And, in the opinion of many deputies, these benefits should be left alone. This, however, in terms of social acceptance, is easier to introduce through amending an old law than through creating a new one and seemingly giving new benefits. This is particularly true in regard to the current moods of public opinion, which hold—taking no account of whether they are right or not—that the department's functionaries are pampered.

In Deputy Rokita's opinion, touching upon these problems now is a case of playing with fire, which is completely unnecessary.

Raising the temperature of uncertainty—which after all exists and in any case will exist, because the parliament can change some rules independent of the bills that come out of the Sejm commissions—will have an effect on successive reports of dismissal from the service.

In the opinion of Colonel Leszek Lamparski, chief of the Cadre Service of the MSW (it is worth emphasizing that he is the first person in this post in the history of the department whose service credentials are not from the SB but from the police) in the near future there could even arise a situation in which the department is unable to meet its employee payroll. The number of resignations and the resulting benefits payments is stretching the budget too thin. The largest movement toward the exit in the department is observed in the group of employees with an employment period of more than 15 years, that is, those who have already gained entitlement to retirement pay. They believe that if they leave now and begin receiving retirement pay, no one will take it away in the future (on the principle, that the law does not work backwards). If they wait and later lose these rights, because the rules change—and they will have to leave the department in any case for various reasons—then they will be stranded, because they will only get credit for the period of employment.

Young and educated people are also leaving. These are people who work in the services but do not have anything in common with the political police, though they are sometimes counted among the SB: computer scientists, electronics specialists, chemists. For example, in the technical progress unit, five of 25 positions are currently filled. Employees of the departmental health services are also leaving. Just in the Clinical Medicine Institute on Komarowa Street in Warsaw, 69 physicians, 60 nurses, and 19 functionaries of the administrative section have quit their jobs. The entire administrations of the voivodship offices in Elblag, Skierniewice, Olsztyn, and a few other centers left. The young functionaries of the SB maintain that the majority of those bosses who bear the major responsibility for the activities of the political police have also left, and the remaining part already has one leg on the road to retirement. In the opinion of the young, the management's cadre policy, which has been defective for many years and which has

not reached for the reserve cadre that theoretically exists in the department, is now bearing its bitter fruit.

In sum, 6,000 persons have already left or declared their desire to leave, and in the Warsaw headquarters alone 1,000 have done so. The thinning of the departmental ranks therefore continues.

Uneasiness and doubts also arouse other questions, such as, personnel review. Who should conduct the review—the old, superior officers perhaps? Or perhaps first of all the functions executed by particular sections of the department should be reviewed, and only later people should be reviewed. According to objective criteria, as the young functionaries of the SB desire, according to education and the degree of expertise. They are also in favor of calling specific persons to penal account if it is proven that they allowed the law to be broken. But next they are stipulating that they can not take responsibility for too many decisions and actions, because the principles of their service did not leave any room for thought or discussion of their doubts (of course excluding certain drastic examples).

Let's add, moreover, that this sort of incapacitation of the functionaries of the internal affairs department has a long tradition in Poland. The pre-war Temporary Service Instruction, in Paragraph 10, formulated this problem as follows: "The policeman should show his superiors the appropriate respect and execute all orders as quickly, exactly, and prudently as possible, without taking their rectitude into consideration, as long as the order does not command something explicitly criminal. The authorities who gave the order are responsible for its content. Absolute discipline, obedience, and subordination of every policeman is in force."

As can be seen, regulations that are comfortable from the authorities' point of view have a lasting character.

Of course one may look upon the internal problems of the internal affairs department—with all due respect for the new minister—a little differently. It serves the darlings of the old administration right. Let them suffer.

And it would seem that the outlook of a considerable portion of society, which must be reconditioned, is the image of even rows of ZOMO [Motorized Reserve of the Citizens Militia] and the overbearing man of power, who was not embarrassed to use his fists whenever he felt like it. The functionaries themselves admit that they are suffering from the consequences of the period when they were presented as a sort of a cross between St. Francis and a Boy Scout.

The reform of the department, although it is proceeding, is doing so at a snail's pace, especially during the present legislative phase. In sum, everyday matters are becoming a problem, because, though on a smaller scale, they concern social questions that have a serious dimension. And meanwhile matters of a fundamental nature are arising before the legislator, for example, how the Office of State Protection should be organized and how many

of the functions of the political police it should fulfill. This will have essential meaning for the development of democracy and liberty in Poland.

For the time being, we are in the phase in which policemen are encouraged to chase criminals. Frequently they say, as long as society does not like policemen, let them chase them themselves. Society which really does not respect policemen is at the same time astonished that they are not where they are supposed to be.

Educated, skilled, and experienced functionaries of the Main Headquarters of the MO [Citizens Militia] are leaving to become hotel detectives, to take care of televisions above all, to which thieves have taken a liking of late.

On the radio show 997, Colonel Plocienniczak, who emphasizes that he is still a member of the police force, advertises the products of the firm Integra—alarms and security against thieves and burglars—on the principle, “as long as they are not protecting us, let’s protect ourselves.”

The only question is: is this the best solution?

YUGOSLAVIA

Political Goals of Six Croatian Parties Outlined

90BA0033A Zagreb VJESNIK in Serbo-Croatian 17,
24 Mar 90

[17 Mar p. 9]

[Statement by Zeljko Mazar, president, Socialist League—League of Socialists of Croatia: “Oriented Toward Man and his Needs”]

[Text] The slogan on our application form, “Your Socialist League is not the same now; we are becoming socialists,” shows where we are coming from and where we are going. We are a beginning organization that will finally take shape and define itself immediately after the elections, when we expect a constituent assembly to be held at which all the documents that are relevant to future work will be adopted and new party leaders will be elected.

The new organization was created for several reasons. The first is that the creation was a response to criticism of the organization itself, criticism that had been smoldering for a long time inside the SSRN [Socialist Alliance of Working People] of Croatia, and even the SSRN of Yugoslavia, the criticism that we were merely a transmission belt for the League of Communists, an organization without an original program and membership of its own and an intermediary between the government and citizens. Secondly, the creation of the new organization is an expression of developments in the front itself for the purpose of preparing and organizing its members for party operation during the changes taking place on

the political scene in Croatia. Thirdly, it is the consequence also of changes in the political system, the erasure of our constitutional and legal position that determined the previous function of the Socialist League.

Insofar as the program and bylaws are concerned, we are trying to have a modern political party based on democratic internal relationships. We will honor pluralism of opinion both in society and within the ranks of our own party; we promote and will continue to promote a spirit of dialogue and maximum tolerance, so that the position of the minority will be approached with alternative solutions, for which the minority has the right to fight to the last breath. We take as a basis independence of operation of organizations in the field, and an organization that will respect the principle of rationality and efficiency in its own work.

It is a question of an organization that will no longer be competent to resolve all problems in society but will define a position on every relevant social question. On the other hand, we want to build an organization that will become a unique movement for socialism open to political and nonpolitical organizations, to members of other organizations, but also to sympathizers who simply want to work with us in individual actions or under a permanent cooperation program. We will support assemblies and a government where decisions are made that are of vital importance for the socioeconomic and political situation of man, and will also promote the local community and commune, where the Socialist League was really founded through specific community action.

Of course, the creation of a new organization on the left often raises a large number of new questions. Why yet another organization? Will creation of the new Socialist League result in weakening of the left? Do we need all this? We recognize no one’s monopoly on the concept of socialism, nor do we want socialism exclusively for ourselves. The monopoly on the concept of socialism has shown its true face in the countries of real socialism. We believe that the ideas of socialism cannot be limited as regards either organization or territory. The organization that we are creating will not be confined to Croatia; it must be established over all of Yugoslavia. In addition, we advocate membership in the Socialist International. Yugoslavia must wait for connection to Europe, but socialists need not do so.

Our program is fundamentally socialist. This means a definite break with the dogmatic type of socialism that we were building in the past and creation of conditions for realization of a new type of socialism, that is, a social state that must provide better material conditions for the life of the population, along with liberalization of political life. It means more equitable distribution, a better social and individual standard of living, social measures and security, legal security and equality, the right to self-determination, making one’s own decisions, political freedoms, respect for human rights, and pluralism of ownership and opinions. The social base that we take as

our foundation and on which we rely is not just the working class, and especially not a working class charged with ideology. We understand that major changes are taking place within the working class in the cultural, educational, and other respects, and that simplification and liberation of work is taking place. We must place our reliance on broad social strata, the middle strata, intellectuals, all those who have made their decisions for the ideas of socialism.

The fight for socialism at the end of the 20th and beginning of the 21st Century can no longer be waged with the methods used at the beginning of the century. It must be adapted to the new historical conditions and new historical environment. We are witnessing global economic linking, integration processes in Europe and throughout the world, and the League of Communists must take them into account. The world is undergoing a dramatic reindividualization that is a kind of antithesis to our methods of collectivization of life that was appropriate to real socialism.

Our program statement and election program are oriented toward man and his needs. We insist on two essential criteria of progressiveness in the changes that we advocate. The first is economic efficiency, and the second is the degree of political democracy. We also consider development from the viewpoint of political, social, cultural, and institutional, freedoms.

Economic growth is an important but not sufficient element of economic development, because it also generates additional controversies: poverty, unemployment, and inequality. Mastery and utilization of nature, which at one time we considered an asset to be exploited, must have limits imposed on them. They open the way for existential as well as moral dilemmas. Material growth is not exclusively a means of accumulation by individual social strata. It must also be the basis for enrichment of everyone and for distribution of the results of growth among all the members of the social community, for provision of equal opportunity for all and care for the helpless. We know that development is determined by the inner potential of the nation and by rational utilization. We believe that development potential is also to be found in knowledge, human motivation, and agriculture, individual enterprise, tourism, and an Adriatic orientation.

[17 Mar p. 9]

[Statement by Milorad Pupovac, president of the Social Democratic League of Croatia, the Croatian organization of the Social Democratic League of Yugoslavia, "The Party of Civil Confidence"]

[Text] The Social Democratic Party of Slovakia and the Social Democratic Party of Yugoslavia were among the last to announce that they would participate in the elections in Croatia and among the last to register. However, this is a party that is by no means the last considering some of its characteristics. That is, the organization to which I belong has all the features of a

true political party with respect both to aims and programs and to the outlook of the party.

Of the large number of political organizations that exist in Croatia, and outside it, many are not true parties in the political sense of the word. They are rather political organizations that largely represent an array of prepolitical questions with their programs. At the top of the list is the set of questions concerning power and remaining in power, as is the case with the League of Communists. Or again, a great number of political organizations move around in the area of the nation, the government, and questions relating to the sovereignty of the nation and the government. And these are largely questions of prepolitical origin.

The Social Democratic League of Croatia, which is the Croatian organization of the Social Democratic League of Yugoslavia, views itself as a part of the the European left, that is, as a party of the left center. In the existing topography of political relationships in Croatia, this means that we have on the right the Coalition of National Understanding and parties that are somewhat farther to the right. The League of Communists of Croatia at this time occupies a position in the center, with prospects of moving farther to the left or farther to the right, something that does not depend on the political will of those who lead it but simply on the constellation of existing forces. The space of the left is not filled at this moment in Croatia, except in rudimentary forms. In particular the space of the left center has not been filled. Hence we felt that it was necessary to form a party of the European left that in its program documents and intentions would be very near the German, Austrian, Swedish, and French social democratic and socialist parties.

The Social Democratic League of Croatia will go into the elections as a party of civil confidence. It proceeds on the assumption of existence of a civil consensus and civic equality that is reflected in formation of a federated community and federal units. We regard Yugoslavia as a federated community that is based on prior civic consensus and the possibility of subsequent agreement when relationships are concerned that affect vital questions either of federal units or the federal government. We are going into the elections as the party of civil initiative. That is, we advocate unrestricted economic, political, entrepreneurial, and any other initiative of citizens, something that is a prerequisite for total social vitality. It is something that does not exist to a sufficient extent in Yugoslavia at this time.

We stress social justice and social solidarity. That is to say, we insist that it be possible to correct unjust and capricious market mechanisms—in the name of the market itself and also in the interests of society as a whole—in order to preserve social stability, ensure the preconditions for stable social prosperity, and create an equal opportunity society. In this respect we do not advocate global types of society of the socialist or any other type, but we do advocate reconstruction within the

existing social system on the model of social justice and a society of equal social opportunity.

As a political party we insist that the state, both Croatia and Yugoslavia, rests on national sovereignty, that is, sovereignty of the citizens. We do not assume that a predetermined sovereignty exists, one that would be beyond the interests of the individual, outside the interests of citizens, that would be prescribed as a nationwide or republicwide interest, or that would be prescribed as a federal or governmental interest. We believe that the foundation of sovereignty in modern democracies is represented by the sovereignty of the individual and citizen.

In addition, we base ourselves on the real social interest as the basic constituent of social reality and as a prerequisite for prosperous social development, that is, the real social interest, and not imaginary metaphysical projects based on predetermined concepts of ethnic or similar economies. Simply put, we base ourselves on the real social interests that exist and that should not and cannot be limited by prior obligations.

We advocate economic democracy, social justice, and social solidarity within society. We are for autonomy in the sphere of knowledge, but we are also for social control of it. That is, we oppose having it exclusively in the sphere of decisionmaking by the scientific community when it is a question of social interest affecting human life.

Insofar as culture is concerned, we are for cultural diversity. In other words, we are not in favor of any separate concept of culture and do not stress special autonomous cultural entities. We believe that the cultures already exist and that unimpeded communication between cultures on an equal footing is necessary in Yugoslavia, Europe, and beyond.

We view Yugoslavia as a part of European integration with a special place for individual regional sub-European forms of integration, insofar as Central Europe, the Balkans, and East Europe are concerned. We view it as occupying a special position with respect both to Europe and the non-European world. There is no "Europe yes or no" dilemma, because Yugoslavia's situation makes it crucial to European integration.

[24 Mar p. 6]

[Statement by Darinko Kosor, coordinator of the Autonomous Democratic League of Croatia: "The ADSH, Political Framework of a Social Movement"]

[Text] We are part of a younger generation that in the past was able to organize and satisfy its interests only in the Communist Youth League. Being dissatisfied with this situation, we decided to form the Autonomous Democratic League of Croatia (ASDH) as a transgenerational organization with the segment of the population that did not accept the Communist Youth League and with all other citizens, irrespective of age.

It is a question of a movement consisting of different autonomous groups and organizations, and we are its political framework. We believe that there is need for an organization that brings together the so-called marginal groups, which are marginal neither in their quantity nor in their quality, but only in their situation in the system.

We advocate freedom of sexual determination and will support all such autonomous organizations. We will work for respect for the current legal provisions that protect such groups. One of the fundamental assets of our program is represented by the new social movements, above all the ecologic, peace, and feminist movements with which we are now working very closely. Part of these movements will probably run in the forthcoming elections in a coalition with the Autonomous Democratic League.

All political parties are for human rights. The ADSH believes that there should be no need to advocate them, because it is normal for there to be such rights in a democratic system. The form of this method of promotion has predominated in recent years. We believe that all the human rights that exist in Europe will be realized also in Croatia and Yugoslavia under the new democratic conditions and that Yugoslavia will sign all the international conventions.

The ADSH is a political organization that wants to operate not just in Croatia but in all of Yugoslavia, and among other things also to join all similar organizations throughout Croatia to form a league of leagues. We are also considering cooperation with the existing so-called dropouts from youth organizations throughout Yugoslavia.

In the matter of economic reform we advocate freedom of private ownership, individual entrepreneurial initiative, and a market economy. But when we speak of a market economy we think a little deeper. We consider all the consequences that will ensue from the transition and restructuring of the economy to a market economy.

Consequently, social policy is one of the centerpieces of the program, but understood as a policy of development and not as a policy of social charity. What we advocate is that social assistance be only a corrective factor in the transition to a market economy, and that social support be a motivating force in economic development. We believe that the transition to a market economy can be effected by means of more favorable credit conditions for smaller scale entrepreneurial initiatives, operations, etc.

The ADSH has carried out a specific initiative in the matter of the unemployed. The Independent Trade Union of the Unemployed, which cooperates with the ADSH, has been formed with a certain number of unemployed persons. Our aim is to rally a large number of unemployed in order to demand certain concessions from the system by means of autonomous organization and operation as a pressure group. These concessions involve more favorable conditions for credit financing of

entrepreneurial initiatives and the privileges that the unemployed should have, like those of college students, retired persons, school pupils, etc.

Another specific question is that of the attitude toward women. We live in a patriarchal society that is based on the patriarchal principles of male-female relationships. We advocate full emancipation and equality of women. As regards the right to abortion, we have a single position. We do not support the act of abortion itself, but we advocate the right of every woman to decide for herself about her own body.

Similarly, we support the initiative "Women's Assistance Now," a social organization in which women are organized. It asks for recognition of the reproductive rights of women. We believe that this is one of the declarations that our country should adopt.

The discussion of federation or confederation of the Autonomous Democratic League does not occupy the center of attention. Both the concept of federation and that of confederation are compromised concepts. They simply should not be used. I think that we should halt the process here and express the situation in different terms. We in the ADSH believe that each of the six republics is autonomous and that the constitution of each is authentic, and that everything agreed upon at the level of Yugoslavia is the subject of a contract in which mutual relationships are agreed upon. We do not support the position that there are two authentic constitutions, that there is an authentic Constitution of Croatia and an authentic Constitution of Yugoslavia.

As regards the Yugoslav People's Army, we believe that it should be organized at the level of Yugoslavia, but we also advocate that it be depoliticized in all its segments, and also that the current concept of national defense organization and public self-protection entity be abolished. That is, we feel that the public self-protection concept should be erased, because it encroaches on the privacy of every individual.

We also advocate elimination of the political police, I mean the police that has inflicted the greatest evil on all our citizens over the last 40 years. We also demand that the files on individual citizens be made available to the public. We advocate autonomy for every citizen of Croatia and Yugoslavia, and we demand restructuring of the security service by placing it under the control of the government.

We advocate de-ideologization of the government and strict separation of the latter from society. For this purpose we will also organize the signing of a petition for elimination of the word "socialist" from the name of the Republic of Croatia, because we believe that the government should be divorced from ideology, and accordingly society, and also from political parties. We will advocate equality of all the ideologies that exist in society, and also that the existing structure currently predominating in this system employ no method or political position to eliminate the recently established political parties. We

advocate that every party be entitled to a program and that it be allowed to rally members and citizens around this program. We also demand that we have the same right in other organizations that do not agree with this program. We want to have competition with each other democratically and with no coercive methods, and to be ratified by the citizens in democratic elections.

[24 Mar p. 6]

[Statement by Dr. Hrvoje Susic, president of the Croatian Party: "We Demand Return of What Was Taken From Us"]

[Text] The Croatian Party has worked out a program in detail. The declaration of the political program in essence is the program statement of the Croatian Catholic Party. The Croatian Party has removed the word "Catholic" from its name, because the prior approval of the church authorities had to be obtained, and there was not enough time for this.

The political program statement speaks of the negative selection over many decades that has led to disintegration of Croatian national life, and thus to disintegration of the Croatian governmental life. The people of Croatia have been split into two parts as a result of this disintegration. One smaller part has had full rights, and the other few or none.

Croatia is divided ethically, economically, politically, and socially. Its emigre segment, which represents one-third of the Croatian people, is also divided. The Croatian national life has disintegrated, because autonomy of the Serbian and extremist southern radical economy has been at work.

The goals and tasks of the Croatian Party are promotion of ethical, economic, social, and political transformation of Croatia on the cultural principles of Catholicism, achievement of human happiness, peace, love, and satisfaction of every person, ethnic reconciliation, reprivatization, and nationalization of public property. The party supports transformation of the Croatian people as a whole and of the Croatian state, and this also includes return of the Stepinac church to the Croatian people.

This authentic sovereignty of the Croatian people is not to us a subject of debate. We state that we, like all other parties, are firmly in favor of self-determination for secession and association. We want to point out in this connection that it is a question of a bolshevik interpretation deriving from the fiction that a people is an historically transitional category. Of course, those that have existed 100 to 200 years need this thesis. However, the Croats are one of three peoples that have been constituted and have lived and existed as a state for 1,300 years of recorded history, and possibly even longer.

Neither the SFRY nor the Socialist Republic of Croatia has fulfilled its internationally assumed obligation under which every state has a sovereign and inalienable right to

choose its own economic, political, social, and cultural system in accordance with the will of its own people, without any interference, pressure, or threat from outside. This is the obligation of the states that are in existence. Hence it is a federal and a republic-level duty to fulfill it. It is also an obligation for every state freely and permanently to exercise full and permanent sovereignty over its own wealth, natural resources, and economic activities, including ownership of these assets and the right to use them and dispose of them.

It is the position of the Croatian Party that Croatia must become an international entity, primarily as a member of the United Nations Organization. It is no less a state than Ukraine and Byelorussia, no less a state than the Philippines, which became a member of the United Nations under MacArthur as occupied territory. It is our legal demand even now, regardless of who is in power, that Croatian consulates be opened in all countries where Croatian displaced persons need honest services of all kinds. Consulates could be established even now, and there is no excuse whatever for their not being established.

In addition to this political sovereignty, economic sovereignty is fundamental. In connection with this fundamental question—that is, that money is an economic commodity and a national asset, and so Croatia has a sovereign right to it—the Markovic government is now falling. Unlike other parties that constantly promote equality of rights, we demand return of the rights taken away from us.

For decades we have had simianology imposed on us, and we are entitled to return of our religious world outlook and humanism. In this connection we demand restructuring of the Academy, reelection of the professors, and restoration of the humanist parts of education, especially Latin and Greek, in high schools and colleges. In particular we demand that every school and college organize college, high school, and elementary education for students and pupils of different world outlooks. In this way our philosophical way of thinking would be placed on an equal footing with simianology.

Our party demands that all school and other public buildings be made available for religious instruction as property of the entire people, and not of the members of a single political party as is the case today.

There can be no transformation of Croatian society without a guarantee that every right and interest of every Croatian will be equally valid and equally important. We solve the problem of nonexistence of a legal government by protecting every right at four levels. At the fifth level decisions regarding the rights and interests of the citizens of Croatsians (that is, not just those of Croatsians) are to be made by the Supreme Court of Croatia over which the president of Croatia presides. This is by no means an illusion. This is a necessity, because under the current system up to 80 percent of sentences are handed down by ordinary, illegal, civil judges.

We advocate abolition of imprisonment and the death penalty. We believe that abolition of imprisonment is an act without which restoration of dignity to man is impossible. We hold that there are only psychopaths and sociopaths. If sociopaths commit such acts that they must be isolated from society, during the transitional period this must be done by securing life for them in an isolated area where they can enjoy the full freedom of family life and maintain contact with friends.

Lastly, we also offer an economic plan. We metaphorically call it Croatian Reaganism and a Croatian New Deal. Our position is that social and economic problems cannot be separated from ethical ones. It is neither ethical, decent, honest, nor humane for a person to earn 18 billion dinars and at the same time not be concerned as president of the federal government that charitable contributions are collected from our workers in Germany for 255,000 hungry people in Zagreb. This may be hushed up and the people may be deceived, but the truth will come out. We cannot shut our eyes to this disgrace. To us these are not social questions and they are not economic questions. To us they are above all ethical questions, questions of human decency.

We and the Croatian bloc reached unity on seven points at the General Assembly of the Croatian Democratic Community. This unity on program and goals does not mean either communism, socialism, social democracy, or centralism to the Croatian political opposition bloc. Consequently, the Croatian bloc cannot be a loose coalition of any sort.

[24 Mar p. 6]

[Statement by Boris Malada, secretary, presidium of the Central Committee of the League of Communists of Croatia—Party of Democratic Change: "We Are Thinking Seriously"]

[Text] At the 11th Congress of the SKH [League of Communists of Croatia] three months ago the party made a decision for pluralism of the multiparty type, for democracy, and for seeking legitimacy directly from citizens in competition with other political parties.

That we are thinking seriously is demonstrated by our consistent support for the making of legal decisions by the Assembly of the Socialist Republic of Croatia permitting the holding of democratic elections, our consistent support for democratic relationships within the League of Communists of Yugoslavia, and our support for democratic relationships and contention of thoughts within the League of Communists of Croatia. It is also proved by our principled and democratic behavior in connection with the recently formed political parties.

To think seriously means to respect all the achievements of the modern world, everything that permits development of production forces, a richer life, and all the accomplishments of democracy that permit expression

of different opinions, political assembly, and action, but it also means respect for the fundamental standards of the Constitution and laws.

We have added to our name the words "Party of Democratic Change." This means that, while not forgetting the democratic traditions of our movement, we are changing ourselves into a modern political party of the 21st Century European Left. There is one period for us, the period of the liberating social and political revolution, the period of both economic and social renewal, the period of creation of confidence and community spirit on the wounds of World War II. To us it is the period of a strong, well disciplined, and centralized Communist Party that went beyond the needs of the time.

Wrapped up in ourselves and our own visions, but also in illusions, we sometimes went beyond the processes of real life. Believing in only one truth, we did not create conditions for full creative pluralistic involvement of everybody in matters of common interest. It is just for this reason that we must become a party of democratic changes, because changes are necessary. However, we can be creative only if these changes are made in a fully democratic atmosphere and in a democratic manner.

The election program that has been presented to the public contains our basic decision and vision of current social problems, along with the fundamental directions of social development. To us it is a program, a task, and an obligation. But primarily it is a program with which to familiarize citizens with what we support and with the obligations that we are assuming.

We take as a basis in our program the authentic sovereignty of democratic Croatia which voluntarily joins a democratically constituted federated Yugoslavia. To us Yugoslavia means a composite community of different peoples and ethnic groups, penetration by different cultures, traditions, and histories that enrich other in community life. Yugoslavia was created and exists as an expression of the permanent right of every nation to self-determination, which includes the right of association, as well as the right of secession. We advocate a Yugoslavia that will be attractive to its every component part because of its democratic system, mutual respect, development, and prosperity.

The essential feature of the SKH-SDP [League of Communists of Croatia-Party of Democratic Change] is the existence and development of the Socialist Republic of Croatia as a modern, well-developed, democratic state unit. We also conceive the fundamental national interest of the Croatian people in these terms. We also believe it to be the interest of the Serbian people as well as of the Croatian and all other peoples and ethnic groups that live in our republic, the interest of all its citizens. The support for equal freedoms, rights, and equality of all citizens opposes reduction of national policy to the creation of ethnically pure and closed national states and societies.

In making the decision for a modern political party of the European Left, we adopt as our programmatic basis the confirmed values of the modern community and culture, along with the experience of modern European socialism. We are a part of the European left that is developing democratic socialism and autonomy as values of its own societies.

We advocate fundamental economic and political reforms. They are already being carried out to a great extent by means of the economic and general policies of the federal government. Our goal is an economically efficient market economy, but one that is also ecologically and socially responsible. By supporting a market economy and different forms of ownership, we at the same time advocate protection of socially oppressed classes, complete social security, and equality of opportunity. We support the development of the entrepreneurial and managerial spirit, but in direct interaction with self-management and the most widely varying forms of joint decision making.

In supporting political pluralism, we support the initiative of individuals, groups, and social movements. We will cooperate in specific projects with all who wish to do so and who are close to us from the viewpoint of programmatic decisions. Just as we oppose federal centralism, we are also against republic-level centralism. We support even development of Croatia and respect for regional economic, cultural, and historical characteristics.

The SKD-SDP is resolutely against any federal, national, ideological, or any other kind of totalitarianism. One idea, one leader, one movement, or national exclusiveness is inconsistent with a democratic movement. We resolutely oppose all attempts at suspension of democracy; we are deeply convinced that the strength of our society is to be found in the democratic decisions of the people. Because of its decisions, its election program, and its past work, the SKH-SDP is a firm guarantee that no extremism or exclusiveness can find a solid base in Croatia.

We support democratic changes, and we accept our portion of responsibility for making certain that they are carried out in a democratic manner.

We have made a firm decision for peaceful, happy life in a sovereign and democratic Croatia. We will realize it by means of resolute joint effort by all democratic forces, taking into account the fact that we are preserving the stability of society, peace, and individual security without any risk of national, social, or other forms of conflict or repression. We members of the SKH-SDP have made our decisions and are thinking seriously about them.

[24 Mar p. 6]

[Statement by Zeljko Mazar, president of the Socialist League—League of Socialists of Croatia: "Using Democracy To Defend the Interests of the Serbian People"]

[Text] The Serbian Democratic Party believes that the interests of the Serbian people in Croatia can be best defended and established by general democratization of the country. Consequently, it accepts the concepts that consider responsibility of every government to the people, election of the government by the people, and replacement of it by the people to be basic prerequisites for good social development.

If we win in the elections, we will participate in the work of representative bodies and in the exercise of state power. We are founding the party independently of the prospects for success. We are willing to cooperate with all parties that seek a democratic emergence from this situation. As an opposition party, we naturally are sympathetic with other parties of the opposition, but we will not accept cooperation with aggressive and repressive parties, and especially not with ones that preach national egocentrism, hatred, and ethnic paranoia. We are ready to accept the freedom of conviction, freedom of action, and freedom of program of any party. At the same time, we are prepared to express our disagreement and opinion on any party orientation.

The Serbian Democratic Party (SDS) conceives of freedom as an essential ontologic prerequisite of human existence. The fundamental import of rights is that of the general and equal rights due every citizen. There can be no question of freedom of association and assembly if any approval by the existing authorities is required. No one can be officially authorized to behave differently from others.

The Serbian Democratic Party in particular supports inviolability of the freedom of conscience and religion. This includes all freedoms of independent thought. For the Serbian Democratic Party, the democratic question is above all the national question. The establishment of a multiparty system with an opposition and constitutional and other guarantees of human security and freedom will, we are certain, contribute to abatement of the current ethnic conflicts.

Pluralism can have its paradoxes. There are also self-cancelling connotations of pluralism. For example, in our republic party pluralism is very often established as Croatocentric ethnomonism, and the League of Communists of Croatia has accepted these political positions. Hence in my opinion the SKH has no opposition in the recently established parties. It has fully supported the ethnomonistic character of the other so-called opposition and alternative parties. This pitfall has been offered to us as well. It has been offered to the Serbian people in Croatia.

We can divide the political parties into two extreme groups, the two poles of a pendulum. We are aware of the danger of superficial characterization, but it is definite that on one side there are the repressive groups and the repressive parties whose instruments are authoritarian and coercive. On the other side are the humanitarian groups that consider tolerance and protection of the autonomy of human existence to be of paramount importance.

The repressive parties have the strength of an independent force, control human destiny, and demand human obedience and unreserved support. These parties loudly proclaim their omnipotence in resolving ethnic or social confusion.

The ethnic parties are equally repressive if they are ethnocentric. These parties loudly proclaim repression as an instrument of party policy. They persistently set ethnic groups against each other, claiming that only their ethnic group is threatened and repressed by other ethnic groups. The ethnic nature of the party is the source of all forms of repression, and especially ethnic repressiveness. Hence any ethnocentrism is inhuman and intolerant.

Regardless of our name, we are a universal democratic party. Our options are federative, and we practice democracy. It seems to us that at this time of ethnic intolerance and growing hatred there is only solution, and it lies in the universal democratic principle.

Our fundamental rights are linked to the Constitution of Yugoslavia, which truly must represent the foundation of freedom in order for inalienability of freedom and rights to be established. Clearcut limits must be imposed on authority so that it will not be transformed again into the despotism that we have experienced for years.

We believe that the fate of the Serbian people in Croatia depends on democratic federalism. Consequently, we support a federated internal organization of Yugoslavia, on the condition that it be accepted by all the peoples that make up Yugoslavia. An historical new agreement on the internal organization of Yugoslavia can be reached only by legitimately elected representative bodies of each individual Yugoslav people. Federal organization of Yugoslavia can be harmonized with the fundamental principles of democracy if equality of citizens as individuals is guaranteed along with equality of federal units.

We do not advocate the equality of civil rights proclaimed by the one-party system. That political system mindlessly expanded and contracted the concept of citizen. Under that system one Slovene citizen was equivalent in political value and parliamentary value to five Serbs; this was an unprecedented absurdity in the history of parliamentarianism. We support the principle of one vote for every citizen.

The attitude toward the provinces should be reexamined and evaluated by a more modern approach. As we know, those in power under the one-party system unilaterally and uncritically adopted in postwar Yugoslavia the concept of provinces taken from the Soviet constitution. The provinces were later transformed into governments, again by those in power under the one-party system. The provinces as thus established become a disruptive factor in the states that have them. This is demonstrated by the example of Nagornyy Karabakh and our own Kosovo. Human blood is now being spilled on their account.

It is necessary to ensure the constitutional possibility of forming territorial autonomy within the framework of

individual federal units, provided that the population in territories with a special ethnic makeup and cultural-historical identity decide by referendum to do so.

Our party has an ethnic name, but it is after all basically ethnic. Its demands are tolerance and all forms of political

freedoms. This applies especially to all the diaspora elements of the Serbian people in Yugoslavia. The Serbian diaspora in Croatia and its historic sacrifice are older than the pressures of the Starcevic rightwingers and the Frankovac genocide. Every sacrifice is best defended by democracy and freedom. Hence it is especially necessary for the Serbian people in Croatia to rally around the democratic principles of equality and freedom.

CZECHOSLOVAKIA

Federal Statistical Office 1989 Report Published

90CH0137A Prague STATISTIKA in Czech
No 4 Apr 90 pp 178-184

[Article: "Report of the Federal Statistical Office on Socioeconomic Development in 1989"]

[Text] With 1989, a long period of Czechoslovakia's economic development under a centrally planned and controlled economy has come to an end. The present structure of the national economy evolved over more than four decades. It is characterized by high levels of material-, energy- and labor-intensity, by slow technological development, distorted prices, excessive redistribution, dependence and, in the final outcome, by inadequate satisfaction of the needs of individuals and of entire society. The legacy of the past is extensive not only in its physical form, but also in terms of the introduced system of controls and regulations.

The extensive economy, with its consumption of raw materials and energy per unit of output two to three times higher than in industrialized countries, places a heavy burden on the living environment. We rank high among the countries of Europe in terms of the emission volumes of the most harmful pollutants (for example, we rank second in the emission of sulfur dioxide per square kilometer, and third in the emission of nitrogen oxides). The pollution of our streams is reaching critical values and, in combination with the long-term precipitation deficit, is becoming a limiting factor in the increased use of our water resources.

The unfavorable state of our living environment, together with a life-style distorted by the economic system's serious shortcomings, has a negative impact on the development of our demographic aggregates. Over an entire quarter century the average life expectancy at birth has been stagnating, and our position in international comparisons has clearly declined. At the beginning of the 1960's Sweden had the highest life expectancy at birth in the world, and we lagged behind Sweden by 4 years in the case of men and by 2.6 years in the case of women. Today Japan ranks first, and we lag behind it by 8 and 6 years, respectively.

The Czechoslovak economy has long been developing at the expense of future generations. This is evident, for instance, from the lagging technological level of fixed capital—i.e., of machinery, buildings and equipment. Although the stock of fixed capital (valued at its purchase cost) reached Kcs3.7 trillion at the end of 1989, its age structure is unfavorable. The average age of the machinery and equipment is fairly high, nearly 11 years, and their degree of wear already exceeds 57 percent. Very serious is the situation in certain areas of the economy and society that had been neglected earlier, especially in the nonproductive sphere. The situation is not much better in certain productive branches that were given less preference: in the printing industry, for

instance, the degree of wear of the machinery and equipment is 61 percent, and in individual industries within light industry it ranges from 51 to 60 percent.

The economic mechanism's low efficiency has been reflected in the slow rise in the technological level of machinery and equipment and in their low utilization. Therefore it is not surprising that the efficiency of fixed capital is declining, while the capital-labor ratio is rising (roughly at an annual rate of 4 percent) and the shift index is stagnating.

The command economy produced economic disequilibrium characterized by shortages of goods on the one hand, and excessive inventories on the other. The volume of inventories rose constantly and has already exceeded the economy's annual NMP. Our economy is considerably more inventory-intensive than the industrial market economies are.

The efficiency of our foreign trade has long been developing unfavorably. Due to rising import prices and to the low competitiveness of our products in world markets, our terms of trade have been worsening over a long period of time, namely in the second half of the 1970's and the first half of the 1980's. Since 1970 the index of our terms of trade has worsened by a full 30 points. The declining prices per kilogram that Czechoslovak engineering products fetch in Western European markets reflect this even more eloquently. While in 1960 the price per kilogram we achieved was still nearly half the world average price, at present it is lower than a quarter of the world average price. Hence it is evident that we have been forced to export more and more embodied national labor to pay for the same volume of import.

The nominal and the hidden price increases, together with the unfavorable development of our terms of trade, are among the immediate causes of the gradual decline of the Czechoslovak koruna's purchasing power.

Besides the branch structure of our economy and the excessively high material-intensity of production, also the structure of our enterprises by size is unfavorable and indicates a high degree of monopolization. The mentioned shortcoming was not eliminated during the reorganization of our production base in 1988-1989. To the contrary, the average size of the work force per state enterprise increased from 2,273 to 3,586 employees.

Another liability from the past is the underestimation of the importance of material incentives, and the related low motivation and inefficient use of manpower. Wage equalization, namely the undervaluation of skilled labor, is significantly contributing to this.

The decline in the social prestige of professional qualifications and vocational training is especially dangerous at a time when scientific and technological development is accelerating everywhere in the world. Admissions to our higher educational institutions have been stagnating in recent years, and in an international comparison of the number of students per 1000 population we rank far

behind countries such as Austria, the FRG, Belgium, Sweden or Denmark, for instance.

So much briefly about the results we achieved during the past period of development and are carrying over into our new socioeconomic conditions. The last year of that period was 1989, and basically it did not differ from the preceding ones. Economic growth slowed down moderately in comparison with 1988. According to preliminary estimates, the growth rate of GDP dropped from 2.8 percent in 1988 to 1.7 percent in 1989. By comparison, the growth rate of GDP in industrialized countries with market economies was estimated to be 3.6 percent. In conjunction with this it should be mentioned that the present methods used to monitor the development of prices do not reflect hidden price changes, and therefore our economy's real growth rate may have been lower than reported.

The causes of slower economic growth are particularly the slower reduction of production's material-intensity and the slower rate of industrial output. In conjunction with the cutbacks in arms production, the output of general engineering fell. Growth rates in the electrical engineering, food, and medical industries were lower than planned. On the other hand, ore mining, metallurgy, and certain other material-intensive industries failed to reduce their outputs. However, the relatively large increases in output within light industry may be termed favorable.

The slow reduction of unit costs and the buildup of inventories, instead of their anticipated reduction, affected unfavorably also the state budget's revenues. Revenue flowed into the state budget at a slower rate than in 1988. On the other hand, expenditures from the state budget rose faster than had been expected, especially in the form of subsidies to business organizations and as social-security benefits. According to the preliminary results, the budget closed the year in the red.

Similarly as in preceding years, capital construction was a source of disequilibrium pressures in the economy. In conjunction with the excessively long schedules of the capital construction projects, the lengthening of the time interval between the payment of wages to workers of the supplier organization on the one hand, and the commissioning of the built capacities on the other, has an inflationary effect on the domestic market.

The rate of asset formation lagged behind the rate of rise in cash incomes (primarily transfer payments), and even more behind the rate of rise of personal expenditures in the domestic market. Just as in the preceding years, however, the customers' needs were not satisfied, especially not in terms of the assortment of industrial products.

Trade with nonsocialist countries developed more rapidly, but the unsuitable structure of our export persisted (a high proportion of exported raw materials and semi-finished goods, in contrast to goods of a higher order). There was no significant change in our balance-of-payments problems, either. Our gross debt to nonsocialist countries reached roughly \$7.4 billion by the end of November; but we are net creditors to the socialist countries, with accounts receivable totaling Kcs43.5 billion. (Note: The distinction between socialist and nonsocialist countries is based on the methods that applied in 1989.)

Evaluation of socioeconomic development by its individual areas will give us a closer look at its results last year:

Living Standard, Living Environment

The living standard reflects the imbalance between needs and asset formation. The desired improvement in satisfying specific personal needs was not achieved.

At year end, 7,868,000 persons were gainfully employed in the national economy, 41 percent of them in services. This proportion in industrialized countries ranges between 50 and 70 percent. The growth of gainful employment slowed down in 1989, and the increase over the preceding year was 30,000 workers. The number of persons gainfully employed rose only among private individuals licensed by the national committees to provide services. Employment in the state and cooperative sectors declined overall. Employment rose in municipal services (by 10,000), education (by 10,000), health care (by 7,000), and domestic trade (by 6,000). Manpower mobility increased: 580,000 permanent workers (9.1 percent of their total number) changed jobs, as compared with 480,000 (or 7.5 percent) the year before.

Nominal cash incomes, from which the population supplies its needs, rose by 3.3 percent. Incomes from wages increased by 2.7 percent; from farming and the sale of farm products, by 3.8 percent; and transfer payments rose by 5.9 percent. Due to the rise in the cost-of-living index, personal real cash incomes rose by only 1.8 percent. But if we take into account also the hidden inflation that is not reflected in the cost-of-living index, then it may be assumed that real incomes were probably stagnating.

A so-called microcensus was held in 1989, a special statistical survey of household incomes in a breakdown by social groups. According to the results of that survey, cash incomes for all households on average rose in 1985-1988, but this development was differentiated considerably by individual households. Net cash income rose by 8.7 percent in 1985-1988, which gives an average annual growth rate of 2.9 percent. However, the growth rate of real incomes was substantially lower.

Development of Per Capita Net Monthly Household Incomes in Kcs, by Social Groups

| Households' Social Group | Net Cash Incomes | | 1988/1985 Index of Nominal Incomes |
|-------------------------------|------------------|-------|------------------------------------|
| | 1985 | 1988 | |
| Workers | 1,614 | 1,756 | 108.8 |
| Employees | 1,815 | 1,956 | 107.8 |
| Cooperative farmers | 1,723 | 1,896 | 110.0 |
| Nonworking pensioners | | | |
| Excl. the economically active | 1,312 | 1,440 | 109.8 |
| Incl. the economically active | 1,762 | 1,946 | 110.4 |
| All households jointly | 1,662 | 1,806 | 108.7 |

Despite the rise of household cash incomes, in 1988 there still were over 320,000 households with nearly 900,000 members (roughly six percent of the population) that had per capita monthly net incomes lower

than Kcs1,000, close to the poverty level. The households with the lowest incomes include the households of large families and those of nonworking pensioners, particularly of the oldest ones.

Percent Breakdown of Households by Amounts of Monthly Net Cash Income

| Per Capita Monthly Net Cash Income, Kcs | Households Jointly | Of Which Households With | | | |
|---|--------------------|--------------------------|---------|------------|------------|
| | | No Child ¹ | 1 Child | 2 Children | 3 Children |
| Up to 1,000 | 5.8 | 5.7 | 3.5 | 4.7 | 10.8 |
| 1,001-1,200 | 9.1 | 7.9 | 5.5 | 10.5 | 21.9 |
| 1,201-1,400 | 12.5 | 9.0 | 8.4 | 19.4 | 31.5 |
| 1,401-1,600 | 14.6 | 9.9 | 12.6 | 26.4 | 21.9 |
| 1,601-1,800 | 12.1 | 8.3 | 16.9 | 19.2 | 8.6 |
| 1,801-2,000 | 9.7 | 7.7 | 17.4 | 11.1 | 3.3 |
| 2,001-2,200 | 8.0 | 8.0 | 14.5 | 5.1 | 1.2 |
| 2,201-2,400 | 6.5 | 8.0 | 9.6 | 2.1 | 0.4 |
| 2,400 + | 21.7 | 35.5 | 11.6 | 1.5 | 0.4 |

Note: 1. Including the households of pensioners.

Especially difficult is also the situation of single-parent families. According to the microcensus, there are nearly 180,000 such families in the CSSR. Their per capita monthly income averages Kcs1,399, but one-fifth of these families have per capita monthly incomes of Kcs1,000 or less.

The average monthly gross wage per worker in the state and cooperative sectors was Kcs3,218 in 1989, an increase of 2.4 percent over the year before. The average monthly net wage (after deducting wage tax) was Kcs2,620. At the same time, 12 percent (nearly 800,000) of the full-time workers received gross monthly wages of up to Kcs2,000; 35 percent were in the Kcs2,001-3,000 range; 30 percent, in the Kcs 3,001-4,000 range; 15 percent, in the Kcs4,001-5,000 range; and 8 percent received wages of over Kcs5,000. Differentiation on the basis of wages did not intensify.

Blue-collar workers account for roughly half of the workers with higher wages, especially in the fuel industry, metallurgy and construction. Workers in other categories, particularly the ones with higher education and long years of experience, make up the other half. The average monthly gross wage of

working women was Kcs2,602; and that of men, Kcs3,714. Women are employed mostly in branches of the economy where the wage level is lower.

Personal cash expenditures increased by 3.5 percent, and so did their most important component—retail purchases. The structure of expenditures in a breakdown by food, industrial goods and services has a ratio of 35:43:22. In comparison with the structure of personal expenditures in the countries of Western Europe, the proportion of expenditures for food is high, and the proportion for services is low. Low spending on services in Czechoslovakia is due in part also to the budgetary subsidies for services.

Measures were introduced in 1989 to regulate credit, and in conjunction with this there was a sharp drop in personal loans from state savings banks: such loans totaled only Kcs13.9 billion, as compared with Kcs15.8 billion the year before. The saving ratio continued its decline (from 3.7 percent the year before to 3.6 percent), although the net inflow of savings deposits was Kcs12.1 billion. The savings on deposit averaged Kcs17,755 per capita.

The economic disequilibrium was clearly reflected in the state of the domestic market: it was characterized by an imbalance of supply and demand, especially in the case of industrial goods and services. The growth of the retail turnover at current prices slowed down during the year, but its rate was still relatively high. The retail turnover increased in 1989 by 3.7 percent over the year before, including a 1.4-percent increase in food sales and a 5.6-percent increase in sales of industrial goods. To a considerable extent the rise was due to intangible growth: retail prices (including the prices in public catering) rose by 1.4 percent.

The development of retail prices was influenced by changes not only in the prices of individual goods and services, but also and particularly in their assortment. The changes in the assortment reflected the efforts of producers and of organizations in the nonproductive sphere to shift their supply toward higher-priced goods and services. This is evident from the higher average prices of certain groups of merchandise sold. During 1989 the average prices rose sharply of, for instance, vegetables (by 9.8 percent), milk (by 10.3 percent), cars (by 17.0 percent), kitchen ranges and stoves (by 11.2 percent), radios and radio-phonographs (by 11.4 percent), fabric underwear (by 7.0 percent), outerwear (by 7.4 percent), bicycles (by 7.9 percent), and motorcycles and motorized bicycles (by 5.7 percent). This development of retail prices was caused by changes in the structure of supply, sometimes in favor of merchandise that has some new quality (for instance, the expanding sales of nonperishable milk), but often it was associated also with a high degree of production monopoly and with the present pricing methods.

The supply of food products proceeded without any serious disruptions, and demand for most food products was supplied in terms of volume. There were problems with the assortment in the supply of some kinds of meat products, dairy products, fruit and vegetables, and also in the case of nonalcoholic beverages, particularly during the summer months.

The situation regarding the assortment of industrial goods was more complex. Efforts to significantly reduce the list of products that are in short supply remained unsuccessful. This was confirmed also by the results of a survey that the Research Institute of Trade conducted to gauge the extent to which consumer demand was supplied. Demand was not fully supplied particularly in the case of clothing, textile products and footwear. Due also to increased import, there was a partial improvement in the availability of color TV sets, of which 507,000 were sold. Also unsatisfied was the demand for cars (133,900 were sold last year, 1400 fewer than in 1988), motorcycles and motorized bicycles, and racing bicycles, including spare parts. Demand for building materials and builder's supplies still remained unsatisfied. Of the other types of merchandise, there were shortages of portable color TV sets, video recorders, refrigerators, top-loading automatic washing machines, paint, thinner, photographic

supplies, an entire series of furniture types, etc. The problems in the supply of personal-care products were eliminated.

Tourism showed vigorous growth last year. In all, 29.6 million visitors had come to the CSSR by the end of 1989, and 8.6 million Czechoslovak citizens had traveled abroad during the same period. The proportion of one-day visitors from Hungary and the GDR remained high, and there was a considerable increase in the number of such visitors from Poland, the USSR and Yugoslavia, for the purpose of shopping (and also selling) an incommensurately large quantity of consumer goods. In some areas these shoppers disrupted the local population's supply.

In the area of paid services provided by local production and service enterprises there still remain a number of shortcomings regarding the range, quality and availability of the services, despite the higher quantitative indicators. A persisting conflict is evident here between the present method of management and the decentralized nature of supplying services. Although the proceeds from sales by these organizations to the public increased by 2.9 percent over the year before, the proceeds from the sale of services rose only by 0.4 percent, while proceeds from construction work for the population, for instance, were lower by 2.8 percent.

The low level of satisfying the population's demand for services makes it necessary to develop additional forms of providing such services. In 1989 the national committees licensed 86,800 individuals to provide services, an increase of nearly 70 percent over 1988. The activity of the small businesses operated by national committees likewise showed marked growth, and their sales increased by nearly 43 percent over 1988.

Total expenditure for social security was influenced by the statutory regulations that were in force and by the demographic development. Expenditure in 1989 for social security, which includes pension insurance and health insurance, totaled Kcs 94.5 billion, 5.3 percent more than in 1988.

Pensions, which account for 65 percent of total social-security benefits, rose by 6.9 percent over 1988, due primarily to the statutory regulations introduced as of 1 October 1988, and to the increase in the number of pensions disbursed.

Number and Structure of Pensions Disbursed

| Types of Pension | 1980 | 1985 | 1989 |
|-------------------------|-------|-------|-------|
| Total number, thousands | 3,774 | 3,986 | 4,150 |
| Of which: | | | |
| —Old-age pensions | 1,993 | 2,212 | 2,342 |
| —Disability pensions | 697 | 706 | 723 |
| —Survivor's pensions | 936 | 968 | 978 |

The average monthly old-age pension rose to Kcs1,519 (under the coverage for employees) and Kcs1,255 (under the coverage for the members of agricultural cooperatives). These averages are influenced by the fact that the amounts of the pensions already awarded are fixed

(except for one-time increases on the basis of new legislation) and are lower than the pensions awarded to new retirees, but the later pensions are low even so. The average old-age pension of retired employees amounted to 47.2 percent of the average monthly gross wage in 1989, and to 58.0 percent of the average monthly net wage. A significant proportion of the recipients of old-age pensions availed themselves of the opportunity to find other employment: according to the latest survey, in 1987 about 704,000 persons took advantage of this opportunity, i.e., one out of every three recipients of old-age pensions. About 51,000 persons continued to work past retirement age without claiming pensions. Three-fourths of these persons were in white-collar jobs.

Services and benefits for the care of the elderly and severely disabled are organized by the national committees and financed from their budgets. The expenditures for such services exceed Kcs1.0 billion, of which more than Kcs250 million goes for nursing care. The institutions providing welfare care had 79,024 beds on 31 December 1989. This included 42,283 beds in homes for retired persons, and 8,105 beds in boarding houses for retired persons.

Health-care institutions (including those of the railroad) had a total of 197,800 beds at the end of 1989, including 124,300 hospital beds. The total number of beds increased by merely 281 during the year, and the number of beds even dropped in the most important types of health-care institution. There are only 7.9 hospital beds per 1000 population. More pronounced in recent years has been the increase in the capacity of medical institutions providing care for chronic patients. The capacity of such institutions increased last year by 379 beds over 1988. The day-nurseries and micronurseries cared for 115,300 children, i.e., 18.2 percent of all children under the age of three.

Medical staff posts totaled 51,900, which was 303 more than in 1988. There were 29,900 medical-staff posts in outpatient facilities for curative and preventive care, which gave a ratio of one doctor per 521 residents. The situation in health care is complicated by the shortage of diagnostic equipment, and by problems in supplying drugs and medical supplies. Preventive care is below the necessary level.

Enrollment in the basic nine-year elementary schools totaled 1,961,700 students in the 1989-1990 school year. The average class size dropped to 26.7 students, from 27.5 the year before. The student-teacher ratio dropped from 20.6 to 20.0, which is still high by international comparisons. There was also a strong trend toward the feminization of the teaching staff of the basic nine-year elementary schools: 82.9 percent of the teachers were women. The general secondary schools had an enrollment of 152,100 day-students; and the professional secondary schools, 239,500 day-students. The secondary vocational schools were training 465,500 students for blue-collar professions, and 69,700 of these students

were enrolled in studies that end with secondary school-leaving examinations. Enrollment in all forms of study at higher educational institutions totaled 173,500 students, including 137,900 day-students who were Czechoslovak citizens. In addition, the theological faculties had 898 students.

The situation in housing construction has remained critical for several years. While in the 1970's new housing construction provided 126,000 housing units a year on average, since 1986 the number of housing units completed a year has been roughly 82,000. Last year the number of completed new housing units increased by 6.4 percent over 1988, but 9,443 fewer housing units were completed than had been planned. Of the completed housing units, only 77.8 percent were accepted.

| Housing Construction | | | | |
|--------------------------|---------|---------|--------|---------------|
| | 1980 | 1985 | 1989 | 1989/1988 (%) |
| Completed housing units | 128,876 | 104,524 | 88,192 | 106.4 |
| Of which, by builder: | | | | |
| —Communal | 28,362 | 18,188 | 23,453 | 114.3 |
| —Cooperative | 45,974 | 49,916 | 36,565 | 103.2 |
| —Private | 32,391 | 29,608 | 26,777 | 109.7 |
| Housing units started | 112,125 | 78,467 | 91,278 | 93.2 |
| Housing units modernized | — | 6,249 | 3,997 | 86.6 |

[So-called communal housing is built by the national committees and assigned to their housing-management enterprises and housing administrations.]

Modernization of the housing stock in socialist ownership is proceeding very unsatisfactorily: last year only 62.7 percent of the housing units planned for modernization were actually modernized. There are serious problems in the maintenance of the existing housing stock. Due to inadequate maintenance, the overall state of the state-owned housing stock has further deteriorated.

Investments in 1989 to protect the living environment totaled Kcs4.9 billion (2.9 percent of the total volume of construction work and deliveries for investments). This includes Kcs2.7 billion for the protection of water resources. At present the CSSR is discharging annually into the air about 2.7 million metric tons of sulfur dioxide, about 1.0 million metric tons of nitrogen oxides, roughly the same volume of solids and carbon monoxide, and approximately 0.2 million metric tons of hydrocarbons. Czechoslovakia ranks first among the countries of Europe in the volume of emitted harmful pollutants.

In comparison with 1986, solid emissions have been reduced by about 15 percent, primarily as a result of rebuilding and modernizing the existing separators, and of placing new ones in operation. The reduction of sulfur dioxide emissions by about 4 percent was due primarily to savings of fossil fuel during the past two mild winters. Emissions of the other principal pollutants did not decline.

A serious and as yet inadequately solved problem is the disposal of solid, liquid and toxic wastes.

Demographic Development

In practically all European countries, including Czechoslovakia, the changes in life-style and the closer orientation on the living standard's material components are reflected in a long-term and sharp decline in the number of live births. In the CSSR the number of live births has been declining steadily since 1975. There were 208,000 live births in 1989, the lowest number ever since the formation of the Czechoslovak state in 1918.

The low birthrate was partially caused also by a temporary drop in the number of women of childbearing age. On 1 January 1989 there were 1,042,000 women in the 20-29 age group in the CSSR, the lowest number since 1967. The diminishing willingness to have children was reflected also in the sharp rise in the number of voluntary abortions performed since the enactment of new statutory regulations as of 1987. Although the number of voluntary abortions performed in 1989 was somewhat lower than in 1988, it still remains high. In the CSSR there were 88 abortions per 100 live births, while in Prague and Bratislava the number of pregnancies terminated by voluntary abortion was higher than the number of live births.

Development of the death rate continues to be disquieting. In 1989 there were 180,000 deaths in the CSSR, which was in accord with the long-term average. The average life expectancy at birth has been stagnating in Czechoslovakia for more than 20 years, while in the overwhelming majority of the European and non-European countries it is sharply rising. At present the average life expectancy at birth is 67.8 years for men and 75.3 years for women, which is one of the shortest in Europe.

Principal Demographic Indicators of the CSSR

| Indicator | Number (thousands) | | | Rate (per 1000 population) | | |
|------------------|--------------------|------|------|----------------------------|------|------|
| | 1980 | 1985 | 1989 | 1980 | 1985 | 1989 |
| Live births | 249 | 226 | 208 | 16.3 | 14.6 | 13.2 |
| Deaths | 186 | 184 | 180 | 12.2 | 11.9 | 11.4 |
| Natural increase | 63 | 42 | 28 | 4.1 | 2.7 | 1.8 |

The population's natural increase was lower by 10,000 than in 1988, and the lowest ever since 1945. The number of marriages contracted was 118,000, and 40,000 marriages ended in divorce. The number of divorces in 1989 was the highest ever recorded. The divorce rate remained the highest in Prague, and in North Bohemia and West Bohemia Krajs. The size of the population on 31 December 1989 reached 15,651,000, including 10,363,000 in the CSR and 5,288,000 in the SSR.

Structure and Rate of Asset Formation in the Principal Productive Branches

The Czechoslovak economy is lagging behind the industrialized countries in developing the technological level of its production. Although our economy has a significant R&D potential, this is not evident from the achieved results. The scientific-research base employed 205,000 workers last year, and their number remained the same as the year before. However, only 56 percent of this work force was engaged in actual R&D that had to span the entire range of Czechoslovak production. The expenditures for scientific research totaled Kcs24.6 billion.

Innovation remains low at the industrial enterprises. New products accounted for merely 5.9 percent of the

total production volume last year, which means that the time needed to renew the entire assortment of products would be roughly 17 years. Also the quality of a number of our products does not meet the requirements of effective development. Within the total volume of new products, the proportion of products to receive a "Q" rating, the highest quality grade, was 0.9 percent, the same as in 1988. This grade was awarded to a total of 168 products, primarily consumer goods. The unsatisfactory results in R&D can be attributed partially to the dissipation of research capacity among an excessively large number of tasks to be solved, but especially to the fact that the economic mechanism failed to produce the necessary stimulating climate for the acceleration of the innovation process.

The volume of centrally administered industry's output in 1989 rose by 1.0 percent over 1988 and reached Kcs898.4 billion. The trend of slower growth in production continued. The growth rate of production was 0.2 percent in the basic extractive, material- and energy-intensive industries, and 1.6 percent in manufacturing. For the time being the necessary structural changes have not occurred on a significant scale.

The output of the fairly extensive fuel-and-energy base and metallurgical complex is still not being used effectively and efficiently in manufacturing, particularly in

engineering. In 1989, for instance, manufacturing produced Kcs1,544 of output with Kcs1,000 of input from basic industry, which was merely 1.4 percent more than in 1988 and 3.1 percent more than in 1985. Likewise the ratio of metallurgical input to engineering output did not develop very favorably. No significant cutbacks were achieved in energy- and material-intensive operations in basic industry.

Despite the past two mild winters, the national economy's fuel- and power-intensity remain relatively high. The growth rate of the output of electricity was significantly higher than the growth rate of industrial production. The output of electricity from nuclear power plants increased by 5.5 percent; and from conventional thermal power plants, by 1.8 percent. A proportion of the generated electricity was exported. In view of the ecological situation and the overall costs of generating electricity, however, the export of electricity cannot be regarded as economically advantageous.

The slowdown of the growth rate of production in 1989 was evident also in manufacturing, particularly in general engineering as a result of the cuts in arms production (a 0.9-percent decline). There was also a moderate slowdown in the growth of production in the electrical engineering industry. On the other hand, production rose faster in certain subdivisions of light industry: by 6.4 percent in the glass, ceramics and porcelain industry, and by 4.0 percent in the clothing industry, for instance. As a result of the favorable development of farm production, the food industry's output also developed favorably on the whole.

Centrally administered industry's deliveries for the domestic market increased by 4.7 percent, at wholesale prices, over the same period the year before. Deliveries for export to socialist countries were lower by 5.2 percent, and deliveries for export to nonsocialist countries were higher by 6.1 percent. Production remained slow in adapting to the needs of the domestic and foreign markets. The influence of monopolies was strongly evident in the output of certain products, and this hampered technical innovation as well as efforts to add variety to the market by introducing new, fashionable and attractive products.

Principal Indicators of Selected Branches (Planning Subdivisions) Within Centrally Administered Industry in 1989

| | Gross Output, 1989 in % of | | Work Force, 1989/1988 (%) | Labor Productivity in Main Activity, 1989/1988 (%) | Average Monthly Pay | |
|--|----------------------------|-------|---------------------------|--|---------------------|-------|
| | 1985 | 1988 | | | 1989/1988 (%) | Kcs |
| Entire industry administered centrally (and by KNV's) ¹ | 109.0 | 101.0 | 99.3 | 101.7 | 102.1 | 3,351 |
| Of which: | | | | | | |
| I. Basic extractive, power, and material-intensive industries: | 106.9 | 100.2 | 99.3 | 100.9 | 101.9 | 3,841 |
| coal mining | 97.2 | 97.3 | 99.2 | 98.2 | 100.6 | 4,534 |
| gas industry | 113.2 | 102.4 | 98.5 | 104.0 | 102.6 | 3,723 |
| heat and power generation | 110.9 | 101.8 | 100.4 | 101.4 | 102.3 | 3,825 |
| entire metallurgy, incl. ore mining | 105.3 | 100.4 | 99.1 | 101.4 | 102.8 | 3,737 |
| chemical industry | 108.9 | 99.8 | 99.5 | 100.3 | 102.0 | 3,452 |
| building materials industry | 109.4 | 100.9 | 99.3 | 101.7 | 103.1 | 3,341 |
| II. Manufacturing: | 110.5 | 101.6 | 99.3 | 102.3 | 102.3 | 3,148 |
| engineering | 112.9 | 100.6 | 99.1 | 101.6 | 101.6 | 3,262 |
| heavy | 108.5 | 101.3 | 98.7 | 102.6 | 101.4 | 3,528 |
| general | 108.4 | 99.1 | 98.9 | 100.2 | 101.3 | 3,174 |
| electrical | 131.8 | 103.3 | 99.9 | 103.4 | 102.9 | 3,133 |
| woodworking industry (MLVD) ² | 109.6 | 101.3 | 98.7 | 102.6 | 102.7 | 3,010 |
| light industry: | 108.6 | 102.5 | 99.3 | 103.3 | 102.9 | 2,942 |
| glass, porcelain and ceramics | 110.3 | 106.4 | 100.1 | 106.4 | 102.8 | 2,997 |
| textile | 107.8 | 101.3 | 98.9 | 102.5 | 102.8 | 2,832 |

**Principal Indicators of Selected Branches (Planning Subdivisions) Within Centrally Administered Industry in 1989
(Continued)**

| | Gross Output, 1989 in % of | | Work Force, 1989/1988 (%) | Labor Productivity in Main Activity, 1989/ 1988 (%) | Average Monthly Pay | |
|------------------|----------------------------|-------|------------------------------|---|---------------------|-------|
| | 1985 | 1988 | | | 1989/1988 (%) | Kcs |
| clothing | 109.6 | 104.0 | 98.9 | 105.2 | 103.3 | 2,840 |
| leather | 103.0 | 101.6 | 99.9 | 101.6 | 102.7 | 3,195 |
| food industry | 106.3 | 102.6 | 100.5 | 102.1 | 103.4 | 3,112 |
| medical industry | 123.5 | 105.3 | 100.6 | 104.7 | 104.9 | 3,135 |

Footnotes: 1. The kraj national committees.

2. Under the ministries of forestry and water management.

Output of Basic Industrial Products

| Product | Unit | 1985 | 1988 | 1989 | 1989 in % of | |
|--------------------------|---------------------|---------|--------|--------|--------------|-------|
| | | | | | 1988 | 1985 |
| Bituminous coal | 1000 tons | 26,223 | 25,503 | 25,071 | 98.3 | 95.6 |
| Brown coal incl. lignite | 1000 tons | 100,387 | 98,000 | 92,300 | 94.2 | 91.9 |
| Refined petroleum | 1000 tons | 16,744 | 16,660 | 16,692 | 100.2 | 99.7 |
| Electricity | 10 ⁶ kWh | 80,627 | 87,374 | 89,255 | 102.2 | 110.7 |
| Pig iron | 1000 tons | 9,562 | 9,706 | 9,911 | 102.1 | 103.6 |
| Crude steel | 1000 tons | 15,036 | 15,379 | 15,465 | 100.6 | 102.9 |
| Rolled stock | 1000 tons | 11,040 | 11,420 | 11,395 | 99.8 | 103.2 |
| Aluminum | 1000 tons | 31.7 | 31.4 | 32.6 | 103.6 | 102.7 |
| Plastics | 1000 tons | 1,103 | 1,192 | 1,186 | 99.5 | 107.6 |
| Synthetic fibers | 1000 tons | 193.2 | 204.0 | 207.8 | 101.8 | 107.5 |
| Cement | 1000 tons | 10,265 | 10,974 | 10,888 | 99.2 | 106.1 |
| Lime | 1000 tons | 3,227 | 3,311 | 3,346 | 101.1 | 103.7 |

Outputs of Selected Manufactured Products

| Product | Unit | 1985 | 1988 | 1989 | 1989 in % of | |
|---|--------------------|---------|---------|---------|--------------|-------|
| | | | | | 1988 | 1985 |
| Cars and pickups | No. | 183,701 | 163,834 | 188,611 | 115.1 | 102.7 |
| Motorcycles and motorized bicycles | No. | 218,940 | 182,808 | 169,497 | 92.7 | 77.4 |
| Bicycles | No. | 786,229 | 735,756 | 684,078 | 93.0 | 87.0 |
| Trucks | No. | 47,956 | 50,498 | 50,570 | 100.1 | 105.5 |
| Integrated circuits | Kcs10 ⁶ | 1,206 | 3,030 | 3,701 | 122.1 | 306.9 |
| Digital computers | No. | 7,870 | 44,846 | 50,892 | 113.5 | 646.6 |
| Metal-cutting machines | No. | 37,246 | 38,438 | 36,644 | 95.3 | 98.4 |
| Forming machines, in all | Kcs10 ⁶ | 1,713 | 1,637 | 1,689 | 103.2 | 98.6 |
| Farm machinery, equipment and spare parts | Kcs10 ⁶ | 3,800 | 4,238 | 4,111 | 97.0 | 108.2 |
| Wheeled and caterpillar tractors | No. | 38,291 | 37,637 | 38,575 | 102.5 | 100.7 |
| Household washing machines | No., 1000 | 445 | 463 | 454 | 98.1 | 102.0 |
| of which automatic machines | No., 1000 | 199 | 208 | 207 | 99.5 | 104.0 |

Outputs of Selected Manufactured Products (Continued)

| Product | Unit | 1985 | 1988 | 1989 | 1989 in % of | |
|--|------------------------|---------|---------|---------|--------------|-------|
| | | | | | 1988 | 1985 |
| Household refrigerators and freezers | No., 1000 | 480 | 551 | 502 | 91.1 | 104.6 |
| of which freezers | No., 1000 | 160 | 225 | 235 | 104.4 | 146.9 |
| TV sets, in all | No., 1000 | 432 | 482 | 524 | 108.7 | 121.3 |
| of which color TV | No., 1000 | 193 | 336 | 379 | 112.8 | 196.4 |
| Furniture | Kcs10 ⁶ | 10,413 | 11,256 | 11,738 | 104.3 | 112.7 |
| Utility and decorative porcelain | Kcs10 ⁶ | 698 | 704 | 796 | 113.1 | 114.0 |
| Paper and cardboard | 1000 tons | 964 | 974 | 1,028 | 105.5 | 106.6 |
| Cotton fabric | 10 ⁶ meters | 606 | 591 | 582 | 98.5 | 96.0 |
| Fabric underwear | No., 1000 | 63,931 | 53,069 | 52,800 | 99.5 | 82.6 |
| Apparel of fabric and non-woven textiles | No., 1000 | 46,540 | 48,827 | 47,625 | 97.5 | 102.3 |
| Hosiery | 1000 pair | 186,090 | 193,941 | 197,165 | 101.7 | 106.0 |
| Footwear, in all | 1000 pair | 131,410 | 119,088 | 120,289 | 101.0 | 91.5 |
| of which leather | 1000 pair | 57,887 | 55,320 | 55,841 | 100.9 | 96.5 |
| Dressed meat | 1000 tons | 944 | 995 | 1,005 | 101.0 | 106.5 |
| Pasturized milk | 10 ⁶ liters | 2,061 | 1,784 | 1,755 | 98.4 | 85.2 |
| Creamery butter | 1000 tons | 152 | 148 | 156 | 105.3 | 102.7 |
| Edible vegetable fats and oils | 1000 tons | 168 | 186 | 190 | 102.1 | 113.1 |
| Refined sugar | 1000 tons | 969 | 708 | 878 | 124.0 | 90.5 |

The efficiency of industrial production did not improve significantly. The output's overall unit cost showed a relative improvement of 0.48 percent in comparison with 1988, and within this the cost of materials was 0.36 percent lower. Overall profit rose 3.7 percent. The efficiency of fixed capital continued its decline and fell 3.5 percent.

In 1989 industry employed 2,729,200 workers on average for the year, which was 18,900 workers fewer (or 0.7 percent less) than the year before. The average monthly wage per worker in industry was Kcs3,351, an increase of Kcs70 or 2.1 percent over the year before.

When the structure of industry's production base, scientific-research base and of its sales and supply depots was reorganized in 1988 and 1989, the individual stages of restructuring left Czechoslovakia's centrally administered industry with 681 state enterprises, nine corporations, and 10 other directly controlled organizations. Although some of the large economic units split up into several state enterprises each, at the intermediate level of administration a proportion of the organizations (52 in all) became state enterprises practically in their original form, and their subordinate enterprises became subsidiaries with delegated authority. The reorganization of industry did not produce the desired results, primarily because it did not weaken the producers' monopoly position.

The construction enterprises performed Kcs93.7 billion of construction work, but in a number of instances they failed to fulfill specific tasks on the individual projects.

Basic Indicators of the Construction Enterprises

| | 1988 | 1989 | 1989/ 1988 (%) |
|--|-------|-------|----------------------|
| Construction work performed by own workers, Kcs10 ⁹ | 92.1 | 93.7 | 101.7 |
| Number of workers, thousands | 527 | 516 | 98.0 |
| Labor productivity, Kcs10 ³ per worker | 175 | 181 | 103.8 |
| Average monthly wage, Kcs | 3,367 | 3,450 | 102.5 |

Because the capacities of the centrally administered construction enterprises were thinly spread over more than 6,000 construction projects, the excessively long construction schedules were not shortened to the necessary extent, the volume of construction work in progress was not reduced, nor did the often criticized quality of the work performed improve. There were serious problems in customer-supplier relations, in the use of working time, and often also in the management of materials.

Within the structure of the undertaken construction work, the proportion of work on comprehensive housing construction rose from 19.6 percent in 1988 to 20.9

percent last year. The construction enterprises completed 58,800 housing units, 4,100 housing units more than the year before, but this was due also to the fact that some of the housing units scheduled for completion in 1988 were actually delivered last year.

The output's overall unit cost was 1.34 percent lower than in 1988, and within this the unit cost of materials was down by 0.59 percent. The profit volume reached Kcs2.6 billion. The efficiency of fixed capital continued its decline, falling roughly two percent.

Due to departures for jobs offering better working conditions, the work force of the construction enterprises was reduced by 10,400 persons (the number of blue-collar workers was reduced by 7,200). Labor productivity rose faster than the average [monthly] wage, which increased by Kcs83 or 2.5 percent.

For a number of years, agriculture has been one of the stabilizing branches of the national economy, due in part also to the specific conditions of income redistribution. Despite the significant curtailment of food import, agriculture has been supplying the population's increasing food consumption, on the whole satisfactorily in terms of volume. But there are shortcomings in the quality of the food products, in their assortment, and in the efficiency of farm production. Besides agriculture, however, the food-processing industry's obsolescence and inadequate capacity, the insufficiently developed services for agriculture, etc. must also share the blame for this. By no means negligible is also the fact that agriculture has less and less land to farm on, while at the same time the natural and ecological conditions for farming are deteriorating.

According to preliminary reports, the gross farm output increased by 1.1 percent, at a moderate (0.2-percent) rise in crop production and a 1.7-percent rise in livestock production. The grain harvest reached 12.0 million metric tons, giving an average yield of 4.86 metric tons per hectare. The 1988 grain harvest and the average annual grain harvest during the preceding five years were exceeded. The beet, sugar-beet, fruit and vegetable harvests were likewise better than in 1988, but in the case of the last three this was due to their poor showing in 1988. However, the harvests of these crops and their average yields per hectare are far lower than what they should be. While in terms of the average grain and sugar-beet yields, respectively, per hectare the CSSR is close to the results being achieved in the industrialized Western countries, the average yields of other crops are substantially lower. Moreover, the problems with the quality of potatoes and with the low sugar content of sugar beets are persisting.

The average yields in livestock production were maintained at relatively high levels, thanks to the good grain harvest and also to imports of feed grain. The average annual milk yield per cow was 3,880.01 liters (up from 3,777.1 liters in 1988); even with the reduction in the size of the dairy herd (by 20,200 head), the milk output rose to 6887.6 million liters (or to 440.4 liters per capita).

In terms of the rate at which the average annual milk yield per cow has increased during the past decade, Czechoslovakia is ahead of the industrialized countries. In terms of absolute average milk yields, however, we are still lagging behind some of those countries (in 1988, for instance, by 25 percent behind the FRG).

With a smaller flock and an average annual lay of 250.8 eggs per hen, egg production totaled 5627.6 million eggs or 359.8 eggs per capita. The average weight gains in feeding and fattening essentially stagnated, and the increase in meat output was achieved by enlarging the hog herd and the poultry flocks.

The quantitative growth of production at state agricultural organizations was accompanied by rising costs, especially material costs. At the same time, however, the overall unit cost and the unit cost of materials were lower than what the agricultural enterprises had planned. The profit volume was lower by Kcs1315 million than in 1988. Food prices continued to be subsidized to a considerable extent, and the annual volume of subsidies is about Kcs35 billion.

Employment in agriculture has been rising in recent years, but the increase has been influenced by the development of ancillary production, which is more profitable and the decisive factor contributing to profit. At a sharp rise in labor productivity, the comparable remuneration of workers in JZD's [unified agricultural cooperatives] has risen to Kcs3,559 [a month], or by 4.7 percent over 1988, which is roughly double the rate of rise of the average wage in the national economy.

In the entire country there are at present 4.6 million hectares of forests, which corresponds to 36.0 percent of the state's total area. The forest area is stabilized: 52,700 hectares were afforested a year on average during the past five years, and the area afforested in 1989 was 53,500 hectares. Logging has been systematically reduced since 1986. Logging last year totaled 17,878,000 cubic meters, 40.7 percent of which was salvage timber. Conifers accounted for 76.5 percent of the total volume of timber logged.

However, a significant proportion of the timber stands has been damaged by harmful emissions. According to the latest data, the proportion of damaged timber stands is 57.6 percent in the CSR and 31.6 percent in the SSR.

It is estimated that the supply of drinking water to users increased by 26 million cubic meters over 1988, to a total of 1390 million cubic meters. In 1989, according to the estimates, the proportion of the population supplied with piped water from public water systems reached 79.5 percent (as compared with 78.7 percent in 1988), and the proportion of the population living in buildings connected to public sewer mains reached 65.0 percent (up from 64.3 percent in 1988).

The volume of wastewater discharged into streams (not including cooling water, rainwater, water used in air-conditioning systems and water from drainage systems) amounts to about 3.5 billion cubic meters a year.

The water quality of surface waters remained practically unchanged. During the past three years the discharge into streams has declined of wastes characterized by their biochemical oxygen demand, undissolved substances and chemical oxygen demand; on the other hand, pollution by petroleum, petroleum products and dissolved inorganic salts is rising.

There were 868 accidental discharges into streams in 1989, including 417 oil spills (in 1988 the number of accidental discharges was 784, including 406 oil spills).

In transport, namely at the CSD [Czechoslovak State Railways] and the CSAD [Czechoslovak Motor Transportation], efficiency measured as the ratio of profit to cost has long been declining. The decline of efficiency has been influenced particularly by the rising costs of fuel and spare parts. The declining efficiency of the obsolescent fixed capital, and the resulting considerable volume of repairs at stagnating labor productivity, likewise have an unfavorable impact. Due to shortages of manpower, spare parts and repair capacities, a significant proportion of the rolling stock and vehicles is not in operation. More than 20 percent of the vehicles are operating beyond their economical service life. The national economy's transportation-intensity, measures as the ratio of transportation's output to NMP, sharply declined in 1989 (by 5.1 percent), but even so it was considerably higher than in the world's industrialized countries. In addition to the excessively high consumption of raw materials, energy and basic materials in the productive sphere, also the unsuitable territorial distribution of the productive forces, the high degree of the economy's centralization and the shortcomings in its management have a negative effect on the transportation-intensity.

Enterprise transport accounted for 59.4 percent of the total freight tonnage hauled, while public carriers accounted for 40.6 percent (the CSD, for 18.4 percent; and the CSAD, for 21.3 percent). But enterprise transport's share of the total [ton-kilometer] performance was 10.5 percent, while the public carriers accounted for 89.5 percent (the CSD, for 71.4 percent; and the CSAD, for 13.1 percent).

The enterprise trucking of selected organizations hauled 916.5 million metric tons of freight, 2.6 percent less than the year before.

At the CSD the freight tonnage declined by 3.9 percent; and the ton-kilometer performance, by 4.4 percent. This decline was due namely to the shippers' slack demand for freight transportation. The freight-car load ratios also fell. As a result of the decline in the foreign shippers' demand for the CSD's freight services, foreign-exchange revenue from transit shipments fell by 8.3 percent and shows a long-term declining trend.

The railroad carried 414 million passengers. In domestic passenger service the automated reservation system for sleeping-car and couchette-car berths was expanded, and that service is now available at 111 railroad stations. The on-time operation of domestic express trains and passenger (commuter) trains improved. Delays at border stations, especially with Poland, resulted in the low (74.3-percent) on-time record of the international express trains.

Despite some improvements, the level of comfort and convenience that the public carriers provide for their passengers is still lower than what it should be. Nearly one-tenth of the dining cars that are supposed to be available according to the timetable have been taken out of service, due to their poor state of repair and the shortage of manpower. In some cases couchette cars are substituted for the more comfortable sleeping cars. The railroad stations often lack the amenities that are customary in the world (continuous availability of refreshments, porters, an information desk, civilized waiting rooms, and telephones for summoning taxis).

The freight tonnage hauled by the CSAD was lower by 3.1 percent. The CSAD transported 2.3 billion passengers, which represents a drop of 0.9 percent. The combined total length of the bus routes increased by 5.7 percent. Direct bus service was inaugurated to foreign countries, namely to the FRG and Austria. But some runs, primarily for commuters and tourists, were discontinued.

The freight tonnage handled by inland navigation was lower by 11.1 percent. The decline was influenced by unsteady navigation conditions, the high proportion of vessels laid up for repairs, and by the contraction of international trade.

Civil aviation transported 1.5 million passengers, including 1.2 million on international flights. The number of kilometers flown and the number of passengers transported did not exceed the level reached at the end of the 1970's. Foreign aircraft have been leased as a partial solution to the inadequate renewal of civil aviation's fleet.

Municipal mass transport carried 3.2 billion passengers. Especially the network of trolley-bus and streetcar lines was expanded.

In telecommunications, 151,900 new subscribers received telephones, including 101,700 residential subscribers. On 31 December 1989 the total number of telephone subscriber stations reached 4,131,700, including 1,568,200 residential subscriber stations. The waiting list for subscriber telephone stations was 334,400 applicants, concentrated mainly in large cities. At present there are 264 telephones per 1000 population, which is roughly one-half to one-third of the average in industrialized countries. The volume of international mail sent by the Express Mail Service increased several-fold, and a similar service was introduced also for domestic mail. The check-cashing service for checks

drawn on savings banks was extended to the entire postal network. Three new TV transmitters for Channel 2 were placed in operation, and thereby TV coverage of the state's territory has been increased to 81.9 percent.

Capital Investment

Persistently extensive capital investment remains a serious source of disequilibrium pressures in the economy. For a long time the costs of capital investment have been rising faster than the technological level of the completed capacities. Capital investment is being channeled especially into the productive sphere, namely into the fuel and power industries and metallurgy (to the tune of Kcs23,7 billion last year).

On the other hand, manufacturing—especially the industries that should be improving supply in the domestic market, and our ability to compete in foreign markets—is being treated less generously when it comes to providing resources for capital investment. The proportion of modernization is low: it was merely 16.5 percent. The share of machinery and equipment within total capital investment was likewise unsatisfactory, while the technological level of a significant proportion of the newly acquired machinery and equipment fell short of what would have been desirable. The share of capital investment in the nonproductive sphere is not enough to meet the population's growing needs, particularly in health care, education, and housing construction.

In conjunction with Government Decree No. 149/1989 on Freezing Temporarily New Capital Investment Starts, the number of new starts dropped from 17,800 in 1988, to 13,000 last year, and the combined total budgeted cost of the projects dropped from Kcs82.9 billion to Kcs68.0 billion. However, demand for capital investment has not declined but has merely been deferred: at the end of the fourth quarter last year, investors had plans ready to start capital investment projects worth more than Kcs150 billion in all, and they were merely waiting for the freeze on new starts to end.

| Construction Work in Place and Deliveries for Investments | | | |
|--|-------------------------------|----------------------|--------------|
| | 1989 (Kcs10 ⁹) | 1989/ 1988 (%) | Share (%) |
| Construction work in place and deliveries for investments in the national economy (excluding community self-improvement projects and private investment) | 170.5 | 102.1 | 100.0 |
| Of which: | | | |
| construction work in place | 83.6 | 102.0 | 49.0 |
| machinery and equipment | 86.9 | 102.2 | 51.0 |
| Breakdown of total investment: | | | |
| productive sphere | 123.1 | 100.8 | 72.2 |
| nonproductive sphere ^{47.4} | 105.1 | 27.8 | |

The volume of resources frozen in capital investment projects in progress rose further by 10.2 percent, to a total of Kcs173.3 billion. The overall efficiency of the investment process was low. The investment projects were not completed on schedule. Of the 96 investment projects that were declared priority projects to be completed last year, merely 76 (or 79.2 percent) were placed in operation. For instance, the following projects were placed in trial operation: the district heating plant in Ceske Budejovice-Vrato, the incinerator in Kosice, the wastewater treatment plants in Dolny Kubin and Ceske Budejovice (mechanical primary treatment), the department store in Levice, the Jednota wholesale warehouse in Ceske Budejovice, the outdoor school in Balkova, the body shop at the Automobile Works in Mlada Boleslav, the robotics plant at the Martin Heavy Engineering Works, and the plant for wide-tread radial tires in Otrokovice.

The following projects, for example, were not placed in operation on schedule: the department of internal medicine and the department of anesthesiology and resuscitation in Levice, the West Slovakia broadcasting center, equipment for the better utilization of refinery feedstock in Bratislava, the capacities at Automotive Brakes in Jablonce, and the modernization of the Hloubetin plant of the Thermoelectric Equipment Works, Prague.

Foreign Trade

The extent of Czechoslovakia's inclusion in the international division of labor, measured as the per capita turnover of foreign trade, is low. In Austria and Western European countries of similar size, the per capita turnover of foreign trade is several times higher (in contrast to our \$3,031 in 1988, for example, \$8,907 in Austria, \$18,014 in Belgium and Luxembourg jointly, and \$8,601 in Finland).

| Development of the Foreign Trade Turnover ¹ | | | |
|--|----------------------|-----------------------------|----------------------|
| | 1989/ 1988 (%) | | 1989/ 1988 (%) |
| Total export | 101.7 | Total import | 102.5 |
| Of which: | | | |
| to socialist countries | 95.3 | from socialist countries | 100.4 |
| to nonsocialist countries | 113.6 | from nonsocialist countries | 106.1 |

Footnote: 1. Regional aspect, at current prices f.o.b. supplying country's border.

In 1989 the foreign trade turnover's growth rate rose in trade with nonsocialist countries, and fell in trade with the socialist countries. The efficiency of merchandise trade, as reflected in the terms of trade, improved. Cooperation with foreign firms began to develop more widely, and more joint ventures were formed with foreign equity participation.

The foreign trade turnover increased by 2.1 percent. Within this the turnover in trade with the socialist countries was lower by 2.2 percent, while the turnover in trade with nonsocialist countries was higher by 9.8 percent.

The socialist countries' share of the overall foreign trade turnover was 61.6 percent. The share of the industrialized capitalist countries was 31.1 percent, within which the share of the EEC was 18.0 percent. And developing countries accounted for the remaining 7.3 percent. The socialist countries' large share of Czechoslovakia's foreign trade stems from our economy's long-term orientation on that region.

Within the structure of our export to the socialist countries, engineering and electrical engineering products made up more than half of the volume. Fuels, raw materials and basic materials dominated the structure of our import, and their share of total import in value terms was 50 percent. The socialist countries accounted for 82 percent (the USSR, for more than 43 percent) of the exports of Czechoslovak machinery and equipment. These countries supplied two-thirds (the USSR, more than half) of our import of fuel, raw materials and basic materials.

Entirely different were the structures of our export and import in trade with the market economies of industrialized countries. We exported raw materials, semifinished products and consumer goods, and in 1989 there was a pronounced rise also in food export. The share of engineering products was 12.9 percent, which represents a moderate rise. In spite of this, however, the ability of our engineering products to compete in the demanding markets remained low. Machinery and equipment were the principal import items and accounted for 48.7 percent.

Trade with developing countries was very imbalanced and is still based on the obsolete model of exchanging machinery for raw materials. Machinery and equipment made up 58.5 percent of the export, and raw material items accounted for 68.5 percent of the import. To a considerably extent, the exports of machinery and equipment were made possible by providing long-term credit.

The large share of imported raw materials and basic materials was based on their high productive consumption, and these imports were predominantly natural substances. Products intended for productive consumption accounted for 70 percent of the total import, and this reflects the Czechoslovak economy's orientation on the primary processing of raw materials.

The efficiency of foreign trade improved. In trade with the socialist countries, according to preliminary reports, export prices rose by 1.0 percent while the import prices were down by 3.0 percent, which meant an improvement of 4.1 points in our terms of trade. Especially the prices of imported petroleum and natural gas were lower. In trade with nonsocialist countries, export prices rose by 5.0 percent, and the import prices by 2.5 percent, which

meant that our terms of trade improved by 2.4 points. The favorable development of export prices was influenced by increased demand and higher prices for metallurgical products, softwood, pulp, chemicals, malt, hops, sugar, and certain engineering products (cars and tractors, for instance).

Our balance of trade with the socialist countries showed a deficit of Kcs3.8 billion, and within this our trade with the USSR showed a surplus of Kcs2.3 billion. But export to these countries fell more slowly than what the plan had called for, and import of the desired items did not increase to the necessary extent. Thus we were unable to use up as planned the surpluses we accumulated in trade with these countries during the preceding years.

Our balance of trade with nonsocialist countries showed a surplus of Kcs0.9 billion f.o.b., which included a deficit of Kcs0.6 billion f.o.b. in trade with the industrialized countries' market economies. The incentives offered the organizations on the basis of their hard-currency earnings from export proved effective: these earnings increased by 11.1 percent over 1988. Accounts receivable past due and difficult to collect or offset continued to grow, primarily in trade with developing countries. During the first 11 months of last year the foreign-trade organizations' accounts receivable past due increased by Kcs1.2 billion, to a total of Kcs8.3 billion. A similar trend continued also in the case of credits provided by the government: at the end of September credits outstanding and past due totaled Kcs17.4 billion. These are mostly receivables that arose in years past for noneconomic reasons, but for the time being the efforts to reduce the total amount of such credits outstanding are not proving successful. Of the problem credits outstanding provided by the government or the enterprises to foreigners, only Kcs1.1 billion was repaid by the end of September.

In terms of foreign exchange and time, the imbalance between Czechoslovakia's surpluses and deficits further intensified. Our gross indebtedness was Kcs108 billion, and in 11 months it had increased by Kcs2.7 billion.

As evident, the economic results achieved last year do not depart from the trends of the preceding years. They do not change the slow rates of economic growth, nor do they contribute significantly toward improving the efficiency of the process of capital replacement and toward restoring its equilibrium. That is not at all surprising. As in the past, the results emerged from the narrow framework of the existing economic mechanism. The latter's shortcomings are being carried over also into this year. In 1989, however, we succeeded in creating the basic prerequisites for solving these shortcomings—for changing the social conditions under which the transition to a market economy will be possible.

[Conclusion]

And now, Dear Readers, a few words in conclusion. We all know how much has changed completely within our society. Naturally, there had to be changes in statistics as

well. It can be said without exaggeration that free and open access to information is of vital importance to statistics if it is to fulfill its mission—to follow and analyze mass social phenomena. Under the present conditions, therefore, the Federal Statistical Office is not only following the mentioned phenomena, but—in distinction from the past—it is also able to widely publish the data on these phenomena and to independently evaluate them. This change should help to make statistical reports and statistical information more objective. We are aware, however, that in itself this change will not be enough to form a comprehensive and authentic picture of rapidly changing reality. That demanding goal requires something more. In the near future, therefore, we want to perfect our gathering of statistics on such important questions as the development of the living standard, of prices in the domestic market, on environmental pollution, etc., and to make more detailed international comparisons. We are seeking suitable methods to better perceive these and other new phenomena that will arise in conjunction with the development of a market economy. We intend to concentrate more closely on the problems of social development, and on the qualitative aspects of the economic phenomena, such as efficiency, equilibrium, etc. At the same time it will also be necessary to rid ourselves of certain old stereotypes. These include, for instance, the detailed comparisons of the actual economic results with the planned targets. As we very well know, the planned targets usually failed to express both the quantity and diversity of society's needs.

We are of the opinion that gaining extensive and objective information demands a dialogue between the state statistical organs and the public. Therefore we are appealing to the wide reading public for its cooperation. We invite your responses, comments and suggestions regarding regular coverage of the preceding period's results appearing in the press, and also in the statistical yearbooks and other publications.

Industrial Production Short-Term Analysis Results

90CH0137A Prague STATISTIKA in Slovak
No 4, Apr 90 pp 145-154

[Article by Engineers Michal Olexa and Jan Haluska, science candidates, VUSEI-AR [Research Institute of Socioeconomic Information, Analyses Department], Bratislava: "Short-Term Analysis and Forecast of the Development of Czechoslovakia's Industrial Output"]

[Excerpts] Since 1983, the short-term analyses and forecasts of the Czechoslovak economy's basic quarterly indicators, prepared at the VUSEI-AR in Bratislava using the KSM quarterly econometric model, have been a part of the analytical material on the basis of which the FSU [Federal Statistical Office] regularly provides for the central agencies information on the Czechoslovak economy's expected development in the short term.

The present version of this model, the KSM-4, comprises 286 equations that express the relationships between 524 variables, particularly variables pertaining to production, employment, foreign trade, personal incomes and expenditures, the retail turnover, the national income, product and financial balances (costs, outputs, adjusted value added, and profit). Seasonally adjusted, quarterly time-series parameters for the period from the first quarter of 1982 to the fourth quarter of 1988—a total of 28 quarters—were used to quantify the parameters of the KSM-4 model's regression equations.

The purpose of this article is to present: 1) the results of a short-term analysis of Czechoslovak industry's production indicators for the given period, derived from the quantified parameters of the KSM-4 model's 10 production functions; and 2) the results of the short-term forecasting of these indicators for 1989 and 1990.

The article's analytical part may be regarded as a continuation of similar analyses performed by quantifying the preceding versions of this model; and the part forecasting the development of gross output in ten branches of centrally administered industry, as a continuation of the econometric-model forecasts of the Czechoslovak economy's macroeconomic aggregates, which were published in this journal. [passage omitted]

2. Results of Industrial Output's Short-Term Forecasting

The short-term forecast for 1989 and 1990 of gross output in the ten branches of centrally administered industry is based on computations using the KSM-4 model. This forecast is a part of the econometric-model forecasts of the Czechoslovak economy's development in the given period, prepared at the VUSEI-AR, Bratislava, in the third quarter of 1989.

In defining the initial assumptions for computing this forecast, use was made of all available relevant information about the actual historical and the planned future development of the pertinent macroeconomic indicators. In view of the difficulty of estimating the input data, which significantly determines also the employed model's predictive power, and because some of the relationships in the model are of a stochastic nature, the forecast has been prepared in the form of intervals.

Table 4. Results of the Short-Term Forecasting of the Czechoslovak Economy's Selected Indicators
(Annual Growth Rates, in Percent)

| Indicator (at comparable prices) | Actual | | | | Plan ¹ | Forecast | |
|----------------------------------|--------|------|------|---------------|-------------------|----------|---------|
| | 1986 | 1987 | 1988 | 1st half 1989 | 1989 | 1989 | 1990 |
| Entire industry's gross output | 3.2 | 2.4 | 2.1 | 1.1 | 1.3 | 1.4-1.9 | 1.6-2.2 |

Table 4. Results of the Short-Term Forecasting of the Czechoslovak Economy's Selected Indicators (Annual Growth Rates, in Percent) (Continued)

| Indicator (at comparable prices) | Actual | | | | Plan ¹ | Forecast | |
|----------------------------------|--------|------|------|---------------|-------------------|----------|---------|
| | 1986 | 1987 | 1988 | 1st half 1989 | 1989 | 1989 | 1990 |
| Fuel & power industry | 2.2 | 1.7 | 1.1 | - 0.5 | - 0.8 | 0.7- 1.2 | 0.4-1.0 |
| Metallurgy | 1.4 | 1.9 | 1.3 | - 0.6 | - 0.3 | 0.2 -0.7 | 0.3-0.9 |
| Heavy engineering | 3.7 | 1.9 | 1.4 | 1.3 | 1.9 | 1.6 -2.0 | 1.3-1.9 |
| General engineering | 4.6 | 3.0 | 1.5 | - 1.2 | - 0.6 | 0.0 -0.6 | 0.9-1.5 |
| Electrical engineering | 8.6 | 9.4 | 7.4 | 5.6 | 5.1 | 4.6 -5.1 | 5.5-6.1 |
| Engineering jointly | 5.1 | 4.0 | 2.7 | 1.0 | 1.4 | 1.5 -2.0 | 2.0-2.6 |
| Chemical industry | 3.9 | 3.0 | 1.9 | - 0.6 | 3.1 | 0.1 -0.5 | 1.7-2.3 |
| Woodworking industry | 3.3 | 1.9 | 2.8 | 2.1 | 1.6 | 2.3 -2.7 | 2.0-2.6 |
| Light industry | 2.2 | 0.9 | 2.6 | 3.6 | 1.2 | 3.2 -3.8 | 2.6-3.2 |
| Building materials industry | 2.2 | 2.2 | 3.8 | 0.7 | - 0.4 | 0.9 -1.5 | 1.3-1.9 |
| Food industry | 1.8 | 0.9 | 1.0 | 3.5 | 2.3 | 2.6 -3.2 | 1.7-2.3 |

Footnote: 1. Our recomputation relative to actual figures for 1988.

As evident from Table 4, the planned growth rates in the individual [line missing] differently. That applies also to the respective indicators of gross output predicted for 1989 and 1990, using the econometric model.

a. Fuel and Power Industry

The requirement to reduce the energy-intensity of the output in this industry is regularly included in the state plans, and the plan for 1989 again calls for a 0.8-percent cut in the fuel and power industry's output. As a result of a drop in coal mining, but due also to the reduction of the work force, output in this industry fell by 0.5 percent in the first half of 1989, whereby it approximated the plan's target. But from the forecast for 1989 it follows that, evidently, the planned production cut in this industry will again remain unfulfilled, despite the favorable development during the first half of the year (Table 4). Parallel with the decline in mining brown coal and in generating electricity in conventional steam power plants (which is favorable from an ecological viewpoint), there is a pronounced rise in the output of electricity from nuclear power plants. According to the forecast, the fuel and power industry should exceed its planned gross output by between 1.5 and 2.0 percent.

b. Metallurgy

This is an industry in which the recurring overfulfillment of the planned output volumes cannot be viewed favorably, because of the industry's high material- and energy-intensity. The forecast indicates that a similar development is very likely also this year, even though the actual decline in metallurgy's output during the first half of 1989 has been 0.6 percent, deeper than what the plan calls for (and due particularly to the decline in ferrous metallurgy). But acting in the opposite direction is the opportunity to export more metallurgical products to

nonsocialist countries, which compensates for the inadequate exportability of Czechoslovak engineering products. According to the forecast, the annual plan for gross output should be exceeded by between 0.5 and 1.0 percent.

c. Heavy Engineering

This industry's planned growth rate for 1989 (1.9 percent) is substantially lower than its unfulfilled growth rate planned for 1988. But the development during the first half of 1989 (merely 1.3-percent growth) indicates certain problems with achieving the planned growth rate. The forecast suggests the possibility that the growth of output might accelerate during the second half of the year, but even so we can expect a slight shortfall in plan fulfillment, of about 0.1 percentage point according to the predicted interval's arithmetic mean.

d. General Engineering

Unlike the state plans for the preceding years of the Eighth Five-Year Plan, the state plan for 1989 calls for an absolute reduction of 0.6 percent in the output of this industry. In the first half of the year, however, output actually fell by as much as 1.2 percent, due mainly to the curtailment of special manufactures that have not been fully replaced by civilian production programs. In spite of this, however, the forecast for 1989 allows for the possibility of an acceleration of output during the second half of the year, which could lead to a growth rate higher by about 0.3 percentage point. This would mean overfulfillment of the state plan by 0.9 0.3 percent.

e. Electrical Engineering Industry

During the first three years of the Eighth Five-Year Plan, this industry achieved the highest increases in output,

which usually exceeded the state plans as well. Also in the first half of 1989 the output's actual growth rate (5.6 percent) exceeded the plan's target by 0.5 percentage point. According to the forecast for 1989, however, we can expect the growth of output to slow down, which could lead to a shortfall of about 0.3 percentage point (considering the predicted interval's arithmetic mean) in the annual plan's fulfillment. Due to the output's lagging quality and technological level, deliveries by this industry for export to nonsocialist countries are lagging; in the first seven months of 1989 they were even lower by 6.1 percent than in the same period of 1988.

f. Chemical Industry

Similarly as in the electrical engineering industry, also in the chemical industry the planned growth rate of output was fulfilled and exceeded during the first three years of the Eighth Five-Year Plan, thanks mainly to restructuring and modernization within the industry itself. But in 1989 the preceding growth has slowed down considerably. While the state plan for 1989 calls for a 3.1-percent increase in output, in the first half of the year the output has actually fallen by 0.6 percent, due mainly to a decline in the volume of the feedstock in petroleum refining. Although, according to the forecast, we may expect a partial acceleration of the output's growth in this industry, it will not be enough to make up for the shortfall during the first half of the year. Consequently, it may be assumed that the achieved increase in output will fall short of the planned increase, by as much as 2.8 percentage points, according to the predicted interval's arithmetic mean.

g. Woodworking Industry

Typical of the growth achieved in this industry's output in the first three years of the Eighth Five-Year Plan was its unevenness. After the output's relatively fast growth (by 2.8 percent) in 1988, the 1989 plan—it calls for 1.6-percent growth—may be regarded as "soft." The actual development in the first half of 1989 also supports this statement: the growth rate of output in this industry exceeded the plan's target by 0.5 percentage point, and its rise is continuing also in the second half of the year. Thus the planned rate of growth will be exceeded by 0.9 0.2 percentage point. According to preliminary reports, the growth of output has accelerated in July and August of this year as well.

h. Light Industry

Just as in the chemical industry, the gross output's growth in 1986-1988 was considerably uneven also in light industry, and the state plan for 1989 calls for fairly slow growth (by merely 1.2 percent). In this case, however, the forecast for 1989 indicates the possibility of a substantial overfulfillment of the state plan's target (by about 2.3 percentage points, according to the predicted interval's arithmetic mean). Within light industry, the highest growth rates will be in the clothing industry, and in the glass, porcelain and ceramics industry.

i. Building Materials Industry

The planned targets for 1987 and 1989 pointed the output of this energy-intensive industry in the direction of an absolute decrease. As evident from Table 4, the planned targets were not fulfilled in either year. To the contrary, the gross output's growth clearly accelerated in 1988. According to both the actual development in the first half of 1989 and the econometric-model forecast, the planned reduction of output in this industry will not occur in 1989, either. The forecast predicts that there will be merely a moderate slowdown of growth in comparison with the preceding year, and that the state plan's target will be exceeded by 1.6 0.3 percent.

j. Food Industry

In the preceding years of the Eighth Five-Year Plan, this industry had relatively the lowest growth rates of gross output, which usually fell short of the plans' targets. The 1989 plan calls for 2.3-percent growth, but the actual development during the first half of the year exceeds the plan by more than 1.0 percentage point. This acceleration of the output's growth is a result of, among other things, the increase in the food industry's work force during the first half of 1989, while employment in industry as a whole declined. According to the forecast, the output's growth rate in this industry will fall only slightly, and therefore the plan can be expected to be exceeded by between 0.3 and 0.9 percent. Acceleration of the output's growth in the food industry over the preceding year can be attributed mainly to the favorable development of farm production in 1989.

As evident from the last column in Table 4, according to the econometric-model forecast we can expect a moderate acceleration of the growth of industry's output in 1990, but that will be far from enough to meet the targets of the Eighth Five-Year Plan. A more pronounced acceleration of the output's growth in 1990 should occur in general engineering, electrical engineering and the chemical industry, but these industries will regain their 1986-1988 growth rates only partially. The pronounced slowdown of the output's growth in the food industry is due to the expected slowdown in the growth of agriculture's output, after its exceptional growth in 1989.

Conclusion

This article's main analytical and forecasting conclusions may be summed up as follows:

—According to the results of our analysis, the contribution of intensifying factors (of the technological progress embodied and nonembodied in production assets) to the output's growth rate not only varied considerably by industries during the investigated period, but was also exceptionally low. After taking the limiting and modifying factors into account, we find that this contribution was merely 0.7 percent a year, on average for entire industry.

- The Czechoslovak economy's high degree of dependence on extensive sources of growth, among which particularly the high inputs of raw materials and energy are growth-limiting factors, meant that the output's actual growth during the investigated period lagged markedly behind its potential growth.
- As a general trend in every branch of industry, the declining efficiency of fixed capital is a result of inadequately applied technological progress, of the high degree of wear, and of the low degree of fixed capital's utilization.
- It follows from the sharply rising capital-labor ratio that the elasticity of substituting capital for labor is declining.
- The Eighth Five-Year Plan's targets for the industrial output's growth will most probably not be fulfilled: according to the econometric-model forecast, fulfillment of the planned growth rate will fall short by between 0.6 and 0.9 percentage point.

GERMAN DEMOCRATIC REPUBLIC

Changes in Production Structure Considered Inevitable

90GE0089A East Berlin
WIRTSCHAFTSWISSENSCHAFT in German Apr 90
pp 481-493

[Article by Economist Prof. Dr. Rolf Pieplow, College of Economics, East Berlin: "The Development of the Production Structure of the GDR"]

[Text] The development of the production structure of the GDR as well as the closely tied export and import structures will be determined more and more strongly and in increasingly broad scope by the market. Enterprises, combines and other associations make their own determinations on their production profile. The determinations will be based on demand, price, competitive conditions, and other factors in the domestic and foreign markets. This means that the enterprises themselves will largely determine how the production, import, and export structures of the GDR economy will develop.

That does not rule out that the government and parliament will follow a national structure policy in the framework of their economic policy. Under current conditions, this national structure policy is necessary to overcome disproportionalities in the production structure, in order to construct an ecologically determined production structure, and in order to create the conditions for stronger market effects. In addition, the state will always have to make determinations on national structural policy in the direction of longer-term changes which would not be realized solely in the marketplace, which is primarily oriented towards the short term and intermediate time frames (for example, in the areas of ecology, energy industry, science, and training).

Finally, the state enters the market through many line item positions in the state budget as a buyer, and exercises its influence through determination of such things as taxes, duties, and tariffs as well as production, export, and import structures.

The following primarily offers items for consideration regarding determinations of national structural policy oriented towards mid- and long-term changes in the GDR's production, export, and import structure. Short-term measures are looked into briefly at the end of this article, which is seen as a discussion piece. It must be clear from the beginning that by no means are all problems addressed which will arise in further development of the structures mentioned above. It is only possible to go into certain aspects.

Some Characteristics of the Production Structure of the GDR

When the changes in the GDR's production structure are considered in an international context, it can first be determined that the trends of this change are quite in agreement with international tendencies. That is especially true in the growing percentage of those employees in industry and in the economy overall who primarily provide services (transportation, mail and communications, trade, other producing and non-producing service branches), along with a sharply declining percentage of employees in agriculture and forestry (from 30.7 percent in 1949 down to 10.8 percent in 1988). This last percentage is still considerably higher in the GDR in comparison with other industrially developed countries (for example, West Germany in 1985 was 4.9 percent, France in 1985 was 6.7 percent, the United States in 1986 was three percent). Backwardness in agricultural and forestry productivity is noticeable in this statistic.

Within industry, the share of the fields of chemical industry, machinery, and motor vehicle construction, and electrical technology, electronics and equipment construction, has climbed overall from 32 percent in 1949 to 49 percent in 1988. This trend can be observed in almost all industrially developed countries. Regarding the quality of industrial products, it is pointed out that only 25 percent of industrial goods production meets grade "Q" quality standards, which means high international standard.¹

Basic structural changes in the GDR export and import structures, in particular the rising percentage of machine, equipment and transportation as exports as well as imports, also corresponds to general development tendencies in the world market. This is true even when these are carried out in contradiction with changes in world market prices. In addition, within the GDR, there are considerable differences in these structural changes between the provinces. In comparison with international standards, the inadequate quality of GDR products for export, as well as the broadly varying structure of GDR exports to capitalist countries, is reflected in low prices

per pound of exported goods for the GDR, in comparison for example with West Germany. The per-pound price of GDR exports to West Germany, by product group, represents one of the many number of declining tendencies.²

Even with all the general problems in quality and competitiveness of industrial products from the GDR, it will not be overlooked that the GDR is capable of producing selected products of some high technologies and that the GDR has created the scientific and technical foundation for it. A core of scientists, technicians, engineers, and technicians has developed which has experience in the development and application of certain high technologies. This is also an important prerequisite for further expansion of these technologies and thereby for the better performance of the economy.

Considerable disproportionalities exist between final products and buyers in the production structure of the GDR which lessen production efficiency. The most complicated GDR production structure problem is, however, the very broad scope of products which also hurts the export structure. In comparison, small industrially developed countries also certainly have a broad production and export structure. Different from the case of the GDR, though, they are more strongly tied to the international division of labor with respect to the export side as well as the import side. The relatively broad GDR production structure leads to low efficiency by thinning out the application of resources, particularly labor and investments.

One major cause of this breadth in the production structure was first of all the restrictions placed on the export and import structure by international payment requirements. The GDR had and has considerable obligations to pay back international credits and the interest on it. The international data on that vary based on the base currency and its exchange rate (and rate changes) and the type of credit.³ Loan periods of held and honored credits and the average interest amounts are not published. But even from tentative information, it is clear that the economy of the GDR must in the future continue to target a considerable export surplus above all the other export requirements, in accordance with the credit agreements. This is necessary to meet the loan principal and interest payment schedule.

This is certainly a matter of several hundred million dollars, or billions of Valuta marks. This is an order of magnitude which will influence significant differences between the growth in the gross national product and the growth in national income available for accumulation and consumption.⁴ The demands of making due payments are not alone responsible for the splintering of the production structure. Other historical factors play a role here, too, including those resulting from the division of a once-unified economic organism.

The absolute insuring of raw material imports was another factor affecting the export and production structure which should not be underestimated. The quite variable factors which have led to a great breadth in production structure, also sometimes led to disproportionalities and uniform production models. Overcoming this production structure breadth is therefore not a problem which can be solved by simply limiting production varieties, even if that is the primary emphasis. At the same time, these disproportionalities must be broken down and a variety of offerings must be developed which would finally lead to a marketable export offering, for example in machinery and equipment, including the necessary services.

The few characteristics mentioned here of the structures in production, export and import, should not substitute for an analysis. That is not possible in the context of this article because of space limitations. However, it can be generally determined that major moves will be required in order to make further changes in the production structure—to concentrate it more, to mold it more completely in an international form, to significantly improve product quality and costs, and to export with greater competitiveness in greater volume and more profitably. Even if the form of export and import structures cannot be made dependent upon payment obligations, necessary funds must still be available to make payments on debts and interest. The GDR economy's ability to meet debt obligations must be insured.

Major Reasons To Make Changes in the Production Structure

An existing production structure cannot be changed so easily. As a rule, productive structure changes for a relatively small economy such as the GDR's also means changes in the international division of labor, that is, the import and export structure. This influences both the size and tempo of change in production structure. For the economy of the GDR, there is a whole list of pressing reasons to significantly change the production as well as the import and export structures, and to prepare for the necessary decisions by the state as quickly as possible. Above all, the following are necessary:

- Overcoming the excess breadth of the production and export structure;
- Satisfying consumer demand in the populace to match their purchasing power;
- Securing adequate reserves of energy and raw materials for the GDR economy with simultaneous pollution reduction by these sectors of industry;
- The development and application of high technologies;
- The modernization and renewal of existing facilities, machinery, structures and physical plant.

A few sides of the necessary structural changes associated with that are considered below, whereby the goal is also to clarify that none of the necessary changes can be

decided for themselves, because that would lead to further severe disturbances in economic proportions.

Above all else, two processes must be set in motion to reduce the breadth of the GDR production structure. The first is to determine which branches of industry are, to some extent, the strong points in further development of the production structure and which will determine the export structure with greater proportion than in the past. The second process is to identify industry branches in which production should be reduced, plants should be closed and in which products and services should be increasingly or completely imported. For building up strong points, existing conditions can be interconnected, for example with scientific-technical production experience, traditions, and positions on international markets. State support will be particularly appropriate for those branches of industry which may help to increase the efficiency of the domestic economy and to achieve greater export volume of more salable goods. It is characteristic of capitalistic countries, which produce with greater efficiency than the GDR, that structural changes in production are associated with the growth of entire branches of industry as well as with the disappearance of branches and their conversion, sale to other branches of industry, or closing. As a rule, the production mechanism of lesser salable products with decreasing chances of domestic or foreign sales will not be modernized, but simply run until it wears out.

This means preparations will be needed to determine, from an economic perspective, which branches count among the backwards ones on the international scale. The GDR economy cannot ignore international trends in the changes of production structures. As in other countries, the conversion of industrial branches will also be driven in the GDR largely by inadequate sales attractiveness, shortcomings in competitiveness, and falling sales.

These questions of points of emphasis in the economic production structure can only be addressed on the basis of macroeconomic calculation as well as multifaceted alternatives and variations. The first task is to identify the most effective solution for the economy, in consideration of often quite diverging interests. Also demanding consideration is the year-long division of labor among the CEMA countries which is in place, and cannot simply be unilaterally changed between today and tomorrow. It has been to our mutual advantage, anyway.

Another reason for necessary production structure changes is changes in needs and in the structure of payable consumer demand. If available data on the degree of adequate supplying of households with durable consumer goods, it is clear that on a quantitative basis, adequate supply has been achieved in a whole range of consumer goods (refrigerators, washing machines, radios, black and white televisions, motorcycles, and motor scooters).⁵ This quantitatively adequate supply does not always relate to quality. Even after adequate

supply is attained, there is consumer demand for replacement and renewals, as a rule to greater quality. There are also needs for seconds or multiples of various products in a household. In addition, it must also be observed that although foodstuff product saturation on a per capita basis has been achieved, that is not true for all individuals. Problems related to that will not be further investigated here.⁶

It should be recognized here overall that purchasable consumer demand is primarily directed more and more in two directions, towards certain consumer goods (for example, cars and some consumer electronics such as color televisions and video recorders, or weekend garden lots, recreational equipment and services) and towards tourist services, especially for foreign travel. These are objective tendencies which are gaining strength with growing household income and satisfying demand for other products. The production structure must be effectively oriented to this demand, which can be satisfied through domestic production or the importation and necessary export production. This "export production" to balance imports can also include the production and service sector for foreigners in the GDR (also designated as the "tourist industry"). Possible solutions must be left open here because they cannot be decided on by themselves without the consideration of further necessary structural changes. Determinations on structural changes in production and imports and exports which are based on only one cause or one process could easily lead to proportionality interruptions and reduced efficiency. The experience of the past years has shown that clearly. There is another reason, however, to leave this question open. The economy of the GDR cannot produce everything itself. Without thorough calculation and advice, it cannot be said which solutions will be found in the area of consumer goods production. The coming decision in favor of modern passenger car production, following that for (modern) car engine production, appears just as plausible as the effort made to import video recorders. The exact role of domestic production of electronic consumer goods must still be determined. This also applies to the buildup of a domestic tourist industry with potential foreign assistance or even participation. The entire thing involves state structural policies insofar as the government can pass certain promotional measures and make the appropriate rulings on foreign credit or participation.

The future form of energy and raw materials resources takes a prominent position in the development of the production structure of the GDR. In 1988, 69 percent of the raw energy resource of the GDR was crude brown coal, which means an energy source with relatively little energy generation in comparison with other sources. It is an energy source for which the recovery conditions have deteriorated considerably in the GDR, and will continue to deteriorate. Its burning is contributing to greater pollution. Atomic fuels or other raw energy resources besides raw brown coal must be imported into the GDR either entirely or to a large percentage (crude oil, natural gas, coal).

Reproductive energy sources (biochemical gas, wind, sun, residual heat from other factories, ground heat) will always only cover a small portion of the energy needs of the GDR. It must be determined on which basis the future energy needs will be covered. Given that energy generation based on lignite is limited by the potential amount of (brown coal) to be mined, how should the existing structure be changed? Thorough calculation is required, because not only is it necessary to consider various and large expenditures required for investment, import and so on to meet demands, but also because of current pollution and possible reduction of that pollution through structural changes which must be investigated. In addition, investigation of the numbers in possible reduction of energy consumption and the prerequisites for that is needed. Whether or not energy savings would actually be considerably less expensive than increasing energy production, as is sometimes claimed, must especially be investigated in detail.

The questions of energy supply cannot not be dealt with in detail here.⁷ It is only pointed out here that every change in the existing energy infrastructure will lead to an increase in energy raw material imports. The scope and supplier must be identified and agreed on. In this context, conditions must be provided to support the exports necessary for this.

The GDR must largely import the basic materials (down to stone and fill as well as a portion of nonferrous metals, wood, plaster, fibers and other things) in its products (especially iron, nonferrous metals, crude oil and natural gas). There is also a close correlation between an increase in the volume of finished products and raw material imports. This is not a linear correlation, because demand can develop more slowly through refinement and material economies or substitutions, and also faster for individual raw materials.

This basic raw material situation will not change fundamentally in the GDR. The GDR production and export structure will also be strongly influenced by the scope, structure, and prices of imported energy supplies and raw materials. The necessary scope and the structure of these imports are, for their part, determined to a great degree by the production structure and raw material intensity. For this reason, savings in raw materials will carry special weight in the structural development of production for the GDR economy in the future, too, because they relieve the great demand for imports and lessen the influence of raw material world market prices on the GDR economy.

Likewise, nothing will change the basic consequences in the future that over half of all exports and thereby about 10 percent of the entire gross national product will be necessary simply to pay for imports of energy sources and raw materials. Real savings will determine how the relationship between economic end-product and material consumption can be formed. However, the GDR economy is not only tied to the international division of labor by raw materials. In the framework of production

specialization among the CEMA countries, the GDR has specialized in specific products, such as cement plants, presses, refrigerated railcars and passenger railcars, printing machines, and trawlers. For their part, the GDR imported such specialized products as power plant equipment, excavation equipment, heavy trucks, busses, and diesel locomotives. This international production specialization has developed over many years under the conditions of predominant extensive development of the CEMA countries' economies. (This specialization) better met market demands of the member countries and brought the economic advantages of large-scale economies. In the meantime, economic conditions have changed in the participating countries as well as the economic mechanisms. That leads to a new evaluation of such agreements on production specialization in the present and the future under the aspect of their effectiveness.

One important facet of this evaluation will be the investigation of the question whether to dampen the amount of raw material imports through changes in this specialization. Among the specialized products of the GDR, some are very material-intensive in comparison with others. Their metal components must be largely imported. The inquiry into a switch to products requiring less raw materials can not be undertaken by the GDR alone, however, as far as long-term specialization contracts go. The discussions being held, especially in the Soviet Union, regarding reducing raw material exports and increasing those of machinery, equipment, and transportation supplies, could lead to solutions of mutual interest. The state structure policy will still have to clarify a series of fundamental problems related to that in order to continue to guarantee appropriate quality insurance of deliveries at mutually beneficial prices.

The scope of high technologies and the processes associated with them is very broad. How should the GDR itself apply high technology in the future? It is supported by what has already been achieved in high technology, by its labor ability and potential and what exists in research and organization. Some starting points and current experience to be considered are: the GDR economy has a relatively small scientific-technical and economic potential in comparison with large countries. It has reached a level characteristic of highly developed countries, measured by its portion of investment placed in science and technology in the national income and in the percentages of people employed in research and development out of the total numbers of employed persons. Still, the scientific-technical revolution in the GDR must be mastered by a potential of about 200,000 employees in research and development. International scientific-technical collaboration and cooperation can expand the possibilities of this potential. It does not, however, lift up its barriers completely as long as such international cooperation only leads to success when based on the foundation of internal qualified scientific-technical performance. There are still considerable reserves for that in the

potential (of our people), when concentrated completely focused on research and development. Market demands will insist on that. From the perspective of the world market, it is quite clear that a major prerequisite for large export volumes and better export marketability for GDR products is a high scientific-technical standard and conformity with international quality standards. That will be determined to a great extent by high technology itself and cannot be achieved without its general use.

Another given is that the economic effects of high technology are tied to some conditions. These are especially:

- the possibility of providing the sometimes very large investments in research and development, in other investments and planning and organizational work. These are all necessary for economically ambitious development and application of high technologies;
- the establishment of links between the high technologies as well as to other scientific-technical achievements and products which are essential for the full function of individual high technologies and their effects;
- the securing of automated large serial and mass production of products in certain high technologies which enable amortization of the large investments and the broad application of these products;
- expansion of the international division of labor in science and production which will contribute to comprehensively developing high technologies as well as associating them and applying them, which secures them in the market for large numbers in production.

In order to provide such conditions, considerable structural changes in production are necessary in any economy. In the GDR, more precise calculation is needed to determine how the development of high technologies should be further developed under varying conditions. The future of microelectronics is of particular significance. It can be seen that the efforts required here exceed the possibilities of the GDR economy. But further scientific-technical and qualitative development of the metal processing industry of the GDR and other branches of industry is not possible without the broad use of the products of microelectronics. From which countries should integrated circuits, microprocessors and other microelectronic components be imported, since internal development can only be limited to certain components?

Similar questions await answers in development directions such as computer technology, communications technologies or biotechnology. Can the GDR acquire the necessary means for other high technologies through concentration in certain directions such as automation technology? Which areas of high technologies can be used better, which means more cheaply and quickly, via international cooperation? Major qualitative and quantitative changes in the production structure will follow

depending on the answers to these questions. The quantitative effects will be strongly dependent upon the speed at which the new things spread.

Such questions are not only being discussed in small countries. They are also a component of inquiry, for example, in western European countries, in enterprises and in the preparation of state support programs for science and technology. Important areas of international economic integration are spreading out precisely into the development and application of such high technologies which cannot be brought to their potential by an individual country by itself. This international cooperation is the only possible way for the GDR to participate in using and developing high technologies. It must still be figured in, though, that such cooperation with western countries is limited by the COCOM lists. It is assumed that the GDR will decide to only produce memory chips as large as 256 K or 1 megabit, so it must then be determined where the larger integrated memory circuits should be delivered from. These would be used, for example, for highly developed sensors and controls in automated manufacturing systems.

A further important reason for making structural changes in the production of the economy of the GDR is for the process of modernization and replacement of existing production equipment. The high degree of wear of existing capital assets,⁸ their insufficient selection and replacement in comparison with other highly developed industrial countries is one of the causes of the backwardness in GDR productivity. In addition is the fact that the acquisition of an ecological balance requires environmental protective measures, low-waste-product technologies and recycling. These will closely proceed in great measure with corresponding reconstruction and replacement of existing production facilities, and will only be effectively achieved in this way. Modernization and replacement of production equipment can only be undertaken in a small part of the cross-section of the economy on the basis of changing the production structure of the machinery construction and the further development of domestic economizing frontages in all industrial fields. The structure of existing capital assets is considerably broader than the production structure. For that reason, modernization and replacement of these assets places multifaceted demands on the imports of products and services. Without these imports, thorough modernization and replacement of the existing production equipment is not possible. At the same time, possibilities are contained in the domestic structure of machinery construction as well as economizing frontages, which are not only to be built up for the modernization and replacement of domestic production equipment, but also for export, in order to, for example, modernize or replace exported machinery and facilities. This would have to proceed at a high scientific-technological level and high level of quality as well as at favorable prices, in order to conduct business in this area at all. It must also include the adherence to pollution limitations.

All the causes discussed above, which demand a change in the production structure of the GDR on a large scale, are tied to greater import volumes and to changes in the import structure. This is the mark of needed greater involvement by the GDR economy in the international division of labor, without which a more efficient production structure cannot be created for this country. It follows that for expansion of imports, the fundamental question in developing the GDR economy is now as well as in the future the increase of marketability and volumes of exports. Above all things, it concerns the growing international competitiveness of GDR industry which is the primary carrier of exports. To increase the export power of the GDR industry, matching equivalent payment obligations cannot stand in the forefront. Neither the form of primary economic proportions nor the production structure can be subordinated to such goals by themselves. It is more important to effectively accomplish these goals. That will only come about through changes in the production structure with consequences for the import and export structure. To achieve that, short-term as well as longer-term measures must be prepared and implemented.

Short-Term and Longer-Term Measures for Changing the Production Structure.

Determinations are needed now on changing the production structure, but the necessary computation for the above-mentioned changes and the answers to the numerous questions are not at hand. It should reach back to proposals for increasing export production in those product groups which are exported with greater marketability than other products and for which there is great demand on the international market. That last item must be calculated on the most recent basis, above all under the aspect of whether such product groups will remain future export producers (such as tool machinery, textile machinery, or printing machinery). That would include greater concentration of the economy's personnel and funding (including the supply industry, the modernization, and replacement of imports). It is difficult to release appropriate personnel and funds for product groups favorable for export, because there is a generally greater need for personnel and funds to maintain or in some cases create a proportional development of the economy. It will have to be decided which areas of production will have to be scaled back. A major criterion for possible re-profiling could be the production of products which are irreplaceable or difficult to replace (such as consumer goods or export goods). The possibilities here of a new direction in production towards marketable products must be checked very carefully before a determination is made.

It certainly will not be overlooked that not only short-term determinations are needed now for the increase in the production of marketable exports. So far, the only necessary moves identified have been those towards eliminating mismatches between commercial production and final production, towards stronger orientation of the construction industry to reconstruction of existing

structures, or towards securing the feed supplies for animal husbandry in agriculture. Beyond these, determinations on export production must be given a very high priority because this is the only way to increase the maneuverability of the economy. Attaining other important goals depends directly on this. For example, the establishment of income based on performance in the desired structure is the prerequisite of implementation of the performance principle. As a result, determinations are needed in this context which are immediately tied to imports. Such rulings are also needed in the framework of state structure policy and include special support measures, probably state financial support above anything else and reduced diversions into the state budget, or credit for investments. In the short term, these determinations will also be tied to giving the affected enterprises greater independence and responsibility as well as incentive to conduct trade in accordance with the demands of the world market. This coupling of state decisions with the basic demands of economic reform is the prerequisite for economic, effective results.

Along with the relatively short-term moves made with the longest-term secure perspective possible, however, an economy's structure concept for the production, import and export structures must be created. The judgement and evaluation of effectiveness, and the further perspective of what has been achieved or structures which have been built through past programs and concepts, belong to this process. In general, two problems must be solved in the resolution of such economic structural concepts:

1. The transmission and approximate modeling of the economic production structure as well as export and import structures, which include the most effective variants in selected calculations (for example, in the energy industry, machinery construction, transportation or health care);
2. The determination of how the desired structures should be achieved. Which state subsidies could be directly applied to individual processes? Where should global tax rates (taxes, interest rates, customs, and others) be set so that the conceptual economic structure orientation will be realized through the activity of enterprises in the marketplace?

Through computations in the context of strategic state planning, the most effective points of concentration in the production structure with the richest outlook must be identified so that funding and personnel can be concentrated on them. On the one hand, the number and scope of such concentration points should definitely be targeted towards a tangible increase in the GDR's exporting power. On the other hand, it should be set according to available funding. The proportionality, the appropriate balance between various levels of production, cannot be disturbed any more by the concentration of personnel and funding. The state must estimate how much it can finance support measures for realization of certain sides

of structural development, and where it thinks it should direct foreign credit and participation for its effect on the economy.

It is especially important to consider the economic estimates now, because there are already concentration points in the production structure, where personnel and funding are already concentrated. The perspective of these focal points, for example, microelectronics, demands economic explanations, whereby corresponding losses from (proposed) changes must be included in the estimates. It cannot be minimized that maneuvering in the production structure is tied to additional expenses and losses in most cases (for example in restructuring production capacity, employee training and retraining, the scrapping of unusable items). It is decisive that the achieved effects of these additional expenses and losses more than compensates for them. This can only be determined through estimates of profit and loss.

From the economic point of view, determinations on further concentrations of forces must consider the following criteria in the selection of possible (fields of) production:

- high scientific-technical level and high refinement grade of the raw material being used;
- high demand, both domestic and on the international market;
- competitiveness in the world market (especially in the EC market), in which these products must bear a hard currency price similar to competitors' products;
- possible large-series or mass production in the GDR with a high percentage of exports (finished products and their technical components);
- low costs and high revenue per kilogram of export.

The best of the available focal points, derived by these criteria with the best figures in performance, efficiency and time, are to be selected. Their required expenses for research and development and in investment (including preliminary steps to be developed internally as well as technical and social infrastructure) will not exceed the possible scale of the personnel and financial numbers available in the economy, and their employee requirements can be satisfied the region.

There is considerable experience in the formation of focal points in the production structure. Especially the work force, which helps disseminate innovations and provide the prerequisite for the expansion of a focal point, is active in the existing research facilities and enterprises as well as being trained in the universities. A precise analysis of the starting point in the possible areas of concentration of forces is, for this reason, an important foundation for the determinations which must be prepared. In particular, this analysis must include:

- the existing scientific-technical prospects in the affected areas (including basic research) and its potential performance (for example, international recognition, patent productivity);

- the scope and condition of existing production capacity as well as the qualifications of the work force (for example, percentage of the production in the particular enterprise which goes for export, and the age structure of the physical plant, and qualification structure of the work force);
- the existing positions on the international market and their prospects (for example, market percentage, earnings, exported products in comparison with competitive products);
- the resource intensity of production and the degree of refinement of applied raw materials (for example, productivity, raw material consumption, energy and material intensity, physical plant intensity, earnings per kilogram of exported products in comparison to competitor's products.)

Other important points in such an analysis are, as an example, the level of market work in the international market, the prerequisites in training and advanced training for cadre, and the geographical distribution of production.

The determinations on economic focal points in the development of the production structure will be made at the central level by the Council of Ministers and the Volkskammer [People's Chamber]. Multiple options will need to be developed for this decision to support the careful balancing of pros and cons. Through macroeconomic calculation, the approximate estimates of expenses and results may be determined. It is a complex planning assignment which can only be approximately solved with the assistance of special instruments such as consolidated balances. It is precisely the computations with these instruments which can demonstrate that there is no possible way available to only have positive effects on the economic effectiveness. In some context, negative effectiveness influences are also connected with each variant of the production structural change resulting from far-reaching economic undertakings. Those who will have to decide must be in a position to enter that into their calculations, too.

The economic determinations on focal points in the production structure will be made by the participating enterprises which either operate independently or in a combined organization. They are already able to participate in preparation for these determinations in an expert role. The enterprises could receive government funds as special supports out of the state budget. Other methods would also certainly be used in order to insure the realization of such state focal point tasks in the economy as well as in research and also production. There are certain economic means such as subsidized prices, exemption from diversions to the state budget (tax relief), special write-offs or depreciations, and other things. They could be targeted to meet such state goals in their complexity. It will be assumed that it will be advantageous for independently operating enterprises to meet such goals. This must extend to the enterprises which immediately produce the export products for the economic concentration points, as well as to those which

supply and service these enterprises. An overall large effectiveness of the structural changes in production can only actually be realized when the cooperation between the enterprises is functioning. In all cases, this is because the economic effectiveness combines several enterprises out of individual expenditures and results. For that reason, with measures concerning state structure with special supports, it is so important for the driving forces of domestic and foreign trade to become precisely as effective as when they otherwise influence decisions in the enterprises. This requires that state support must be set to conform to the market, which means for example additional usable funds to increase profits, and its own currency reserves. How that should be arranged must probably be established differently in each case, because market conditions are not uniform in all the individual branches of the economy. Finally, it must be considered that through the type and manner of the unification of both German states, the conditions for the solution of structural problems could be changed, but it will not eliminate the necessity of a state structural policy for the resolution of particular locally associated problems.

Footnotes

1. For all the previously cited data, see "Statistisches Jahrbuch der DDR 1989 (Statistical Yearbook of the GDR 1989)," Staatsverlag der DDR, Berlin 1989, pp. 22, 112, 151, and 38/39.

2. See Fachserie F Reihe 6 (Technical Series F, Row 6), Statistisches Bundesamt, Wiesbaden (computations by G. Goebel, Hochschule fuer Oekonomie Berlin).

3. Because published data from various sources do not agree, numbers are not cited here.

4. For comparison (even though the Mark and the Valuta Mark are not directly equivalent): the growth in Gross National Product was about M 10 billion in 1986, M 9 billion in 1987, M 7 billion in 1988 (see "Statistisches Jahrbuch der DDR 1989," p. 13).

5. *ibid*, p. 291

6. See H. Gross/H.O. Schneider, "Effektive Befriedigung des Ernährungsbedürfnisses" (Effectively Meeting Nutritional Demands) in WIRTSCHAFTSWISSENSCHAFT, Vol. 9, 1989, p. 1336.

7. Several proposals were already submitted for this, on the advice of the GDR Government with leading economic figures on 10 Dec 1989 by the general directors of the energy industry or by D. Herrmann, "Energie—woher nehmen und niemandem schaden (Energy—Where to Acquire It and Not Hurt Anyone)," NEUES DEUTSCHLAND, 6/7 Jan 1990, p. 12.

8. Information was published in NEUES DEUTSCHLAND on 11 Jan 90 p 3.

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